



OVERSEAS NEWS

Experts critical of US air strike

By Mark Meredith in Aberdeen
ACADEMICS taking a long-range view of terrorism, have found flaws in the West's response to the problem and have discounted military solutions.

Nervous Europe battens down security hatches

AMERICAN schools in Paris caused scenes of panic, paralysed traffic and caused shoppers to haul down their shutters.
US and British official buildings such as embassies and consulates, schools used by US personnel and other prominent US concerns are being given extra protection in the form of additional carabinieri and police armed with machine guns, and large armoured police vans.



Armed police at the UK's Heathrow airport—part of the worldwide alert after the US strike on Libya

The gates and perimeters of US bases and other military facilities are heavily protected by Spanish armed forces and the police and civil guard have noticeably tightened security and passport checks at the main international airports.
Special armed patrols were already in place following the airport killings in Vienna and Rome last December. Baggage checks have been intensified and flights to the US and the UK subjected to extra controls.

trying to enter from East Germany. Some would-be travellers to West Berlin are said to have been turned back at these points.
ISRAEL SECURITY is always tight, even at the most relaxed moments in the Middle East, Andrew Whitley reports from Tel Aviv. The Government boasts about it. El Al profits from it, the public is reassured by it.

Shops and offices reopen as Tripoli returns to normal after raid

Life in the Libyan capital, Tripoli, is slowly returning to normal after Tuesday's bombing raid by the US Tony Walker reports from Tripoli.
Shops and airline offices are reopening and taxis have returned to the streets for the first time since the raids.

against the US and Britain. Libya is demanding action against American interests throughout the world.
Tripoli Airport, which has been reopened, will provide members of the relatively large foreign community here with their first opportunity to leave since Tuesday's raid.

Community to step up wine checks

By Maggie Ford in Brussels
CONTROL over the quality of wine in the European Community is to be tightened following the adulterated Italian wine scandal.
Mr Clinton Davis said, "The Commission is co-operating with the Italian Government to step up inspection."

Gorbachev urges armed forces cut

BY LESLIE COLLITT IN BERLIN
MR MIKHAIL GORBACHEV yesterday used his keynote speech to the East German Communist Party to push his offensive further, by proposing that conventional military forces in Europe "from the Atlantic to the Urals" be reduced and that short-range nuclear missiles on both sides be simultaneously cut in number.
Before launching into his "new initiative and Soviet leadership sharply criticised the US administration for "directly harming" the entire East-West dialogue with its two recent "disastrous" nuclear test bombings of Libya, and threats against Nicaragua.

reduction could consist in each country's own technical means as well as international verification, including "on-site inspections".
The Soviet leader also announced that his country would shortly present a "number of new proposals" in Geneva to remove the remaining differences blocking an international agreement on banning chemical weapons.
Allied officials in West Berlin said Mr Gorbachev had lumped into one package Soviet proposals from the MBFR talks, the Stockholm Conference on Disarmament in Europe and the Geneva negotiations on nuclear missile reductions.

Personal incomes in US rise

THE PERSONAL income of Americans rose \$9.2bn or 0.2 per cent, to a seasonally adjusted annual rate of \$3,496.5bn in March, after a revised gain of 0.4 per cent in February.
The department previously said February personal income rose 0.6 per cent.
Personal consumption expenditures rose \$9.3bn, or 0.3 per cent, in March to \$2,850.8bn after a revised gain of 0.4 per cent in February.

Opec conference on verge of collapse

BY RICHARD JOHNS IN GENEVA
THE Organisation of Petroleum Exporting Countries' conference here stumbled to what seemed an inevitable collapse, or at best an inconclusive outcome, with no sign of differences over output strategy for the rest of 1986 being resolved.
A meeting of nearly nine hours of economic experts representing the 13 member states failed to reconcile differences between the diehard minority of the three—Iran, Algeria and Libya—calling for a deep cut in collective production, and an evident majority led by Saudi Arabia and Kuwait in favour of a realistic ceiling which might in practice be observed.

Mugabe threat to white MPs

BY OUR FOREIGN STAFF
THE Zimbabwe Government plans to abolish in the next 12 months the 20 seats reserved for whites in the country's 100-member National Assembly.
In an address marking Zimbabwe's sixth anniversary of independence, Mr Robert Mugabe, the prime minister, said: "The seventh year of independence ushers in a new era of constitutional and political reforms. Racial representation in parliament will just have to go."

Under the British-drafted independence constitution, the 20-seat bloc representing some 100,000 whites can be scrapped in mid-1987 if the government wins support from 70 MPs. The ruling Zanu-PF holds 84 seats, and Mr Joshua Nkomo's Zapu has 15 seats.
Mr Mugabe has long opposed a racially elected bloc and in July last year threatened to override constitutional provisions and abolish the 20 white seats before it became legally possible.
He had been angered by the outcome of elections for the seats, in which the Conservative Party of Mr Ian Smith, the former prime minister of white ruled Rhodesia, captured 15 seats. Mr Mugabe interpreted this as a rejection by the white community of his policy of racial reconciliation.
In his independence anniversary speech, Mr Mugabe also hinted at moves towards a one party state.

Norway oil strike

A Norwegian state arbitrator yesterday dashed hopes of an end to a 12-day-old dispute that has halted the nation's oil and gas production despite a union offer to resume wage negotiations, Reuter reports from Oslo.

Helsinki airport reopens with non-union labour

HELSINKI airport, closed for a fortnight by a state strike, reopened yesterday as a union leader accused President Mauno Koivisto of being involved in strike-breaking by landing strike-breakers by landing.
The airport was shut two weeks ago by a strike by 43,000 state workers which disrupted other public services around Helsinki and spread to the rest of the country two days ago.
Mr Koivisto, who landed at the airport with the help of non-union labour when he returned yesterday from a visit to Yugoslavia, was accused of landing at an airport "being kept open with non-union labour."

Reagan to seek increased aid for Aquino government

PRESIDENT REAGAN will ask Congress for \$150m in new economic and military aid to the Philippines, in addition to speeding up payment of \$240m already approved, a Washington official said yesterday.
The Under-Secretary of State, Mr Michael Armacost, said Mr Reagan would also ask Congress to convert \$100m of the Philippines' debt to the US into an outright grant.
Speaking at a news conference after a four-day visit, Mr Armacost detailed a total \$855m aid package that included \$250m in new requests.
Samuel Soesera adds from Manila: A group of former officials in the Marcos government which has been secretly organising a campaign to discredit President Corason Aquino and members of her Cabinet have urged government employees to start a work slowdown.
The campaign, which has been dismissed by the Aquino Government as a nuisance, is slowly gaining momentum with organisers planning to stage rallies and protest actions nationwide within three months.
Several hundred of their followers have camped outside the US embassy in Manila during the past three days demanding the return of Mr Marcos from Hawaii.
The loyalists have been encouraged by Mr Marcos' vice presidential running mate,

PNG oil find

The lagifu Two oil discovery is the most impressive find made in Papua New Guinea. In over 60 years of exploration, Minerals and Energy Minister John Kaputin said yesterday.
Oil Search in Sydney said the latest test of the well in the Southern Highlands Province produced a flow of 3,225 barrels per day of 45 degree API oil, and 4.57m cubic feet per day of gas.

Taiwan bank boycott

Taiwan plans to boycott the next general meeting of the Asian Development Bank in protest over the ADB's change of the name of its delegation, Bob King reports from Taipei.
The government said that attending the meeting scheduled for the end of this month in Manila would signal Taiwan's acceptance of the new "Taipei, China" designation the ADB has insisted Taiwan use instead of "The Republic of China," the name under which Taiwan helped found the bank.

Palme murder hunt

Swedish police yesterday gave a new description of Prime Minister Olof Palme's alleged assassin but reported no further developments in the 49-day-old murder hunt.
Mr Hans Holmer, Stockholm's police chief, said the man was about 40 years old, about 1.80 metres (five feet 11 inches) tall, solidly-built and wearing dark clothes.

Belgrade wins compromise debt rescheduling deal

FIFTEEN Western creditor governments and Kuwait have agreed to reschedule \$5 billion of Yugoslavia's official debt falling due between next month and May 1989, and to give it unspecified debt relief until the end of 1988 provided Yugoslavia meets certain economic criteria.
The agreement, reached in Paris on Thursday night, concludes a lengthy dispute between Yugoslavia which pushed for a fully-fledged multi-year debt accord and several creditor governments, notably the UK and the US, which balked at giving any long-term debt relief to an economy unimproved by the International Monetary Fund (IMF) six years of IMF standby programmes for Yugoslavia are due to end next month.
However, the agreement is only a rescheduling of debt. It does not reschedule the \$1.5 billion due in 1988 and \$1.5 billion in 1989. In addition, the IMF will conduct an enhanced monitoring of the Yugoslav economy from next month. A key condition of the commercial as well as official debt rescheduling is that

UAE calls off trade talks with Britain

By Christian Tyler, Trade Editor
THE United Arab Emirates has broken off trade talks being held with Britain this week and cancelled an industrial exhibition due to open on Monday, in protest at the UK's support for the American bombing raid on Libya.
Mr Rashid Abdullah, minister of state for foreign affairs, has been ordered to return with his delegation to Abu Dhabi, the UAE capital, the Arab-British Chamber of Commerce in London said.
It also said that Sheikh Zayed, ruler of the UAE, had given instructions for the "UAE week" to be cancelled "in protest at Britain's collusion in the American air raid against the Libyan people."
A delegation of 30 led by Mr Seif al Jarawan, minister of economic and commerce, and 60 exhibitors had been expected to arrive in London this week.
The chamber of commerce, which has offices in Belgrave Square, said "the savage raid against the Arab people of Libya and the consequent loss of innocent lives" would undermine Britain's political and trade relations with the Arab world.
Mr A. K. Al-Mudaris, secretary-general of the chamber, pointed out that last year Britain had an \$8bn trade surplus with the Arab countries. It had exported goods and services worth \$5bn each to markets that accounted for 6 per cent of all UK exports.

Airlines plan to pass on costs

US airlines are imposing new security measures to combat terrorism abroad, including around-the-clock guards at packed aircraft, but they say travellers should help pay for the expensive precautions.
Pan Am said it plans to ask the US Government to approve a \$5-per-passenger surcharge to defray added security expenses, and other airlines are likely to follow suit.
Meanwhile, the head of the Airline Pilots Union called Thursday for better training and pay for airport security workers.
Carriers such as Pan Am and Trans World Airlines, which depend heavily on transatlantic business, are trying to calm fears about security. Travel agents already are reporting many people are cancelling trips to Europe because of worries about terrorism.

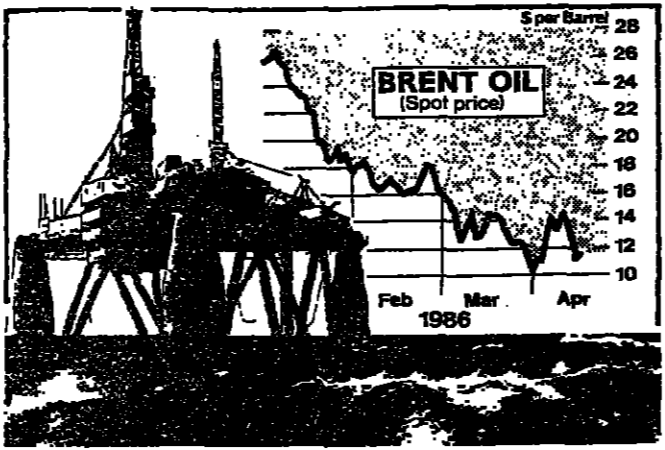
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UK NEWS

DOMINIC LAWSON assesses the impact of the oil price fall on drilling companies North Sea rig owners feeling the cold



ONE OIL company chief executive, at least, is not too bothered about the plight of drilling companies in the North Sea as the price of all oil tumbles. "These guys are the salt of the earth. But man, they really creamed it off in the good times. But not feel too sorry for them now. They have always got ranches in Nevada to retire to," he said this week.

There are 109 rigs in the North Sea, all but about 40 in the UK sector. Two years ago the average total was about 85. Many of those which have arrived since have appeared on no more than speculation that there would be work. "Six months ago, we thought we would have work for all our rigs by April. In fact, utilisation is down to 65 per cent and, if things don't change, it could be to 40 per cent by July," Mr Parrish warns.

Chief named for cable TV service to continent

MR RICHARD HOOPER, a senior British Telecom executive, has been appointed chief executive of SuperChannel, the British broadcasting industry's planned cable television channel for continental Europe. An official announcement is expected on Monday.

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Electricity Council chief calls for energy policy

THE LACK of an energy policy was preventing Britain from making the best use of its wide range of resources, Mr Philip Jones, chairman of the Electricity Council, said yesterday. Although the UK's energy resources were the envy of the industrialised world, they were in danger of being mismanaged.

British Gas confirms cut in charges

BRITISH GAS yesterday confirmed that standing charges for its 15m credit customers are to be cut by £1 a quarter. Overall, gas prices will increase by only 1.7 per cent, compared with the 4 to 5 per cent believed to be the wish of the Government.

Manchester industry on the upturn, says survey

MANUFACTURING industry in Greater Manchester has taken "a turn for the better" this year, says the quarterly survey of Manchester Chamber of Commerce and Industry. There was a "significant" improvement in export orders and deliveries, though increases in home orders and deliveries in the final quarter of last year were not sustained.

BBC External Services head

MR JOHN TUSA, a BBC news presenter, has been appointed managing director of BBC External Services. He will take over in the autumn when Mr Austin Kark, the present director, retires.

Full study of radio planned

THE GOVERNMENT has decided to take a comprehensive look at the future structure of radio in the UK. Mr Giles Shaw, the Home Office Minister responsible for broadcasting, has conceded that a green paper planned on the future of community radio should be broadened to look at the whole industry.

APPOINTMENTS

Mr Peter Donnelly has joined PRUDENTIAL-BACHE SECURITIES INTERNATIONAL as managing director, responsible for investment banking origination in the French-speaking areas of Europe. He was formerly with First Boston Corporation where he was a managing director of First Boston International responsible for First Boston and Credit Suisse First Boston London's foreign government advisory business.

ECONOMIC DIARY

TODAY: Fianna Fail conference in Dublin. TOMORROW: Secondary Heads Association conference in Oxford. MONDAY: Retail sales (March provisional). EEC Agriculture and Foreign Affairs Councils meet in Luxembourg (until April 22). TUC Finance and General Purposes Committee meets. Commons debates education. Scottish TUC meets in Aberdeen (until April 25). AUEW conference in Eastbourne (until May 2). US Treasury budget statement (March). TUESDAY: CBI/FT survey of distributive trades (end-March). FT Conferences hold conference "The prospect of tourism in Britain" at Hotel Inter-Continental, London, W1 (until April 23).

Prudential-Bache Securities Chief

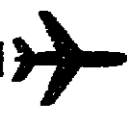
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BASE LENDING RATES

Table listing various banks and their base lending rates. Includes entries for ABN Bank, Allied Dunbar & Co., Allied Irish Bank, American Express, etc.

Advertisement for St. James' Court Hotel and Apartments. Features an illustration of the building and text describing its Victorian features, location, and services. Includes contact information for St. James' Court Hotel and Apartments.

Advertisement for a Major Disposal Auction of Persian Carpets. Text describes the auction of several hundred exceptionally fine and medium quality, handmade Persian carpets. Includes contact information for Hilton International Hotel, Kensington.



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# Court ruling sought on UDM status

BY PHILIP BASSETT, LABOUR EDITOR

THE National Coal Board is to take legal action against the National Union of Mineworkers in an attempt to end the NUM's effective blocking of formal recognition being given by the board to the breakaway Union of Democratic Mineworkers. The board served notice on the NUM at its Sheffield headquarters yesterday of its intention to take proceedings in the High Court. The move is likely to strain further relations between the board and the NUM but if successful it could herald the revitalisation of the UDM's prospects for membership growth which had been hit by lack of formal recognition with the board. Earlier this year the NCB tabled proposals for changes in the industry's long-standing

arrangements for wage bargaining and for consultation following the official registration of the UDM as an independent union last December. As part of its opposition to the UDM, the NUM has argued that such changes cannot be made. There has been protracted correspondence between the two sides but the board claims the NUM has refused to meet it on the issue. The board said yesterday in a statement: "Essentially the NUM is arguing that the board should behave as if the UDM does not exist. The board cannot and will not act in this way." In one of its strongest statements of support so far for the UDM, the board said it "represents the overwhelming majority of mineworkers in

Nottinghamshire, a majority in South Derbyshire and a substantial proportion of all mineworkers." Mr Arthur Scargill, NUM president, and other miners' leaders are maintaining that there are statutory provisions which prevent the board negotiating directly with the UDM. While the board said yesterday it would still welcome an early meeting with the NUM to discuss the position, it said it had concluded that "it is essential for the conduct of good industrial relations in the industry to resolve a number of important issues by application to the High Court, so that the present uncertainty can be removed." The court is likely to be asked

to rule on a number of points including: ● The board's claimed right to terminate the existing conciliation agreement between itself and the NUM. The NCB is trying to end the agreement from May 31. ● Whether the agreement itself, dating back to nationalisation legislation for the industry in 1948, is legally binding, as the NUM claims, or not, as the board maintains. ● Whether the industry's National Reference Tribunal, to which the UDM cannot appeal but the NUM can, is able to modify the conciliation agreement without the NCB's consent. ● Whether the tribunal can remove the board or the NUM's rights to veto a reference to it.

# Greater use of ballots foreseen

By David Thomas, Labour Staff

THE BALLOTING provisions of the 1984 Trade Union Act have made unions put more effort into ascertaining the exact views of their members, according to a leading trade unionist. Mr Alistair Graham, general secretary of the Civil and Public Services Association, was speaking at a conference organised by Vista Communications. Mr Graham, who has recently been appointed as the next director of the Industrial Society, said that many unions had carried out opinion polls and opened up new lines of communication in order to win the recent round of political fund ballots. Mr Graham predicted the CPSA would win its ballot to set up a political fund. His own union had recently surveyed a sample of its members to find out what they felt about the union. "I can see in future that this sort of survey will be issued prior to major strike ballots. He argued that one of the main impacts of the 1984 Act was to increase tension between national executives, that now have to be elected by secret individual ballot, and policy-making conferences, which tend to represent activists.

# NUJ begins moves over Wapping staff

FINANCIAL TIMES REPORTER

LEADERS OF the National Union of Journalists yesterday set in train moves to start disciplinary action against the 600 journalists who have crossed picket lines at News International's printing plant at Wapping in East London. The union executive decision came as a resumption of talks between the print unions and Mr Rupert Murdoch's News International was set for next Tuesday. The executive of the largest print union, Society '82, will meet on Monday to consider the company's offer of its printing plant in Gray's Inn Road, London, and some compensation payments to unions in respect of 5,500 workers having been sacked by News International early this year, when London production of its four national newspapers was moved to Wapping. The NUI executive took its decision at Sheffield, where the union had been holding its annual meeting. Consideration of evidence was to start later yesterday. Delegates had instructed the executive to leave the conference so that it might decide whether to start action against the 600. Fears were expressed that it was planning to sidestep a decision yesterday by delegates that

the disciplinary procedures proceed at once. Then it was announced that the executive had decided unanimously "to pursue complaints against any members working at News International, against whom satisfactory prima facie evidence of breach of instruction has been collected." If the executive upholds the complaints, members can be expelled from the union or fined. ● The NUI conference also voted to send a message of condolence to Libya over the bombing raid there by the US this week. ● MPs on both sides of the Commons reacted against the decision. Sir John Stradling Thomas, Tory MP for Monmouth, said: "I can't believe this decision is in any way representative of the vast majority of British journalists."

# Acas denies 'final offer' opposition

By Our Labour Editor

SIR PAT LOWRY, chairman of the Advisory, Conciliation and Arbitration Service, has denied that Acas is opposed to final-offer or pendulum arbitration, the controversial strike substitute mechanism at the heart of many of the strike-free deals signed by the EETPU, the electricians' union, and other unions. Pendulum arbitration has been pushed hard by the EETPU in particular. Sir Pat said that Acas was "richly questioning" any industrial relations nostrums marketed so heavily as a panacea for all ills. Giving in Glasgow the second annual Strachyle Lecture on industrial relations, he denied the "popular, but untrue" belief that traditional arbitration merely split the difference between unions and management. One advantage of final-offer arbitration was that by forcing an arbitrator to choose wholly for one side or the other it prevented third-party awards being made which had unforeseen but damaging consequences. But its great disadvantage was the assumption that one side was 100 per cent right, and the other equally wrong.

# Shipbuilder accused of infiltrating meetings

BY DAVID THOMAS, LABOUR STAFF

SWAN HUNTER, the privatised Tyneside shipbuilder, has been accused by unions of hiring a private agency to infiltrate their meetings. Mr Jim McFall, chairman of the shipbuilding negotiating committee of the Confederation of Shipbuilding and Engineering Unions, said the unions had been given information on Thursday that a private agency had been paid by Swan Hunter to infiltrate one or more mass

meetings and provide information on what individuals had said. Mr McFall said the unions challenged Swan Hunter management with this allegation on Thursday and he said the company confirmed that it had been asked by a third party if it wanted to receive information on union meetings for a fee. The company declined yesterday to comment on the

unions' specific allegations, but Mr Dennis Shadbolt, industrial relations director, said: "We have made a statement to the unions that there are all sorts of things companies have to do in certain circumstances to acquire information." He added: "A mass meeting took place and we decided we wanted some more information." Swan Hunter was affected by an overtime ban and then a

walk-out by skilled workers earlier in the month. On April 8 it launched the frigate HMS Coventry early in the morning in order to avert possible disruption. Mr McFall said the national shipbuilding officers of each union would be consulting their colleagues to consider what should be done about the allegation. He said the unions were taking legal advice

# THIS BOOKLET SHOWS WAYS TO OPEN MORE DOORS TO MORE JOBS.

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**Creating new work opportunities** There are also schemes which help those who have been out of work for a long time to get back into work again on projects which benefit them and the communities in which they live. **Encouraging enterprise** The creation of flourishing small businesses is a major factor in the development of our economy, and for generating new employment opportunities. This booklet explains the various ways in which enterprise is being helped and encouraged to overcome the many difficulties and obstacles. One thing is common to all: they are designed to help people help themselves and create jobs for the future. For your copy of the 'Action for Jobs' booklet send in the coupon below, or pick one up at your main Post Office, your local Jobcentre or local Unemployment Benefit Office.

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Programmes by the Department of Employment and the Manpower Services Commission.

# Willis says unions must set priorities for Labour

BY PHILIP BASSETT, LABOUR EDITOR

TRADE UNIONS could not duck responsibility for choosing priorities under a future Labour government, Mr Norman Willis, Trades Union Congress general secretary, said yesterday. He said the union movement had to be clear about what it wanted from a Labour administration. "The priority for creating jobs must be clear. That choice must be made, that pledge must be honoured," he said in a speech to an industrial relations conference at Templeton College, Oxford. His comments seemed to be a further sign of what appears to be a growing recognition, in some senior union circles, of the need for a deal with Labour which would clearly embrace economic issues such as pay. He said, in what seemed a coded reference to this: "We will want action on jobs from a Labour government, and it will want our support in concentrating available resources to that end." He spoke against creation of what he termed a jobs apartheid system, one splitting people into those with jobs and those who wanted jobs but would never get them. "That is why we question the concept of a two-tier labour market, with a core of well-paid, well-protected workers controlling and directing a mass of others, deregulated, or privatised into sub-standard working and living conditions," he said. Mr Willis criticised current economic concepts such as labour flexibility. He cited industries where flexibility had been the norm, such as casual dock work, shipbuilding and construction, and said the result had been the creation of "a fertile source of disputes for many years, a fiercely defensive attitude to demarcation lines."

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UK NEWS

# Lords attack on PM's Libya role

BY IVOR OWEN

FIELD MARSHAL Lord Carver, former Chief of the Defence Staff, yesterday powerfully reinforced the criticism of the way the Prime Minister had handled the request, by President Ronald Reagan of the US, that American F-111 aircraft based in Britain should be allowed to bomb Tripoli.

Speaking from the cross-benches during a House of Lords debate on Libya, he suggested that Mrs Margaret Thatcher's admission that she had found it a difficult decision to reach was under pressure to reach a different conclusion.

Lord Carver told peers he saw shades of the crisis over Britain's intervention in Suez nearly 30 years ago — when Sir Anthony Eden, Prime Minister of the day, was said to have taken decisions without adequate consultation with Cabinet colleagues — in Mrs Thatcher's conduct of the events which had led to

Britain's direct involvement in the US attack on Libya this week.

He contended that the Prime Minister had found it a difficult decision because the Government "or whoever" was admitted to the "conclave," had grave doubts as to whether the US bombing raids would be successful.

Lord Carver said: "I suspect that would have been the advice of the diplomatic and military establishments if they were consulted — and I hope they were."

If grave doubts had been expressed about the wisdom of the US raids, he said, the Government should have tried to discourage Mr Regan from giving the go-ahead.

Lord Carver claimed that the US administration had indulged in "near blackmail" in stating that if the British-based F-111s were not used, there would be a greater risk of both civilian

casualties near the targets in Tripoli, the Libyan capital, and among the crews of the aircraft that were used.

He insisted that the whole issue should have been discussed by the Cabinet.

Strong support for Mrs Thatcher was provided by Lord Home of the Hirsel, former Conservative Prime Minister, who maintained that, in the dilemma she had faced, she reached the right decision.

In sharp contrast to the criticism expressed this week in the Commons by two of his successors as Prime Minister, Mr Edward Heath (Con) and Mr James Callaghan (Lab), Lord Home argued that Mrs Thatcher had been correct to take account of the obligations Britain had towards the US.

Mr Regan had been alone in trying to do anything effective about the State terrorist practised by the Gaddafi regime in

Libya, said Lord Home, who agreed nevertheless, that a better way had to be found for dealing with such terrorism in future.

Lord Cledwyn of Penrhos, the Labour leader in the Lords, said both the US raids on Libya and the support given by the British Government had been wrong.

That support for the US action was also strongly criticised by Dr John Habgood, the Archbishop of York, and by Baroness Secar, the Liberal leader in the Lords.

Baroness Young, a Foreign Office Minister, who replied for the Government, admitted that the full Cabinet had not considered what response the Government should make to Mr Regan, who had first indicated his intention to authorise the bombing on April 8. The attack took place nearly a week later, on the night of Monday-Tuesday.

# Rural response to air raid on Gadaffi

Walter Ellis on having a US base as a neighbour



IN THE Three Horseshoes public-house — no CND supporters welcome — lunchtime business yesterday was slack. The landlady blamed this week's air strike against Libya for the sharp fall in trade. Many regulars are US airmen, and this week they have largely been confined to base. The pub stands in Upper Heyford village, Oxfordshire, beside one of the three US Air Force bases from which the strike was launched.

For much of the day the roar of sleek F-111 bombers fills the air around the tiny village. Sometimes six of the deadly aircraft circle at the same time, rolling and banking slowly before disappearing over the horizon.

The 350 villagers are accustomed to the sight and sound of the mayhem above them. Indeed, they seem hardly aware of it. For many the base, home to 5,000 service personnel, is their livelihood. They do not take kindly to criticism of US policy.

with getting this fence finished."

Further along Mr George Gray, a retired civilian clerk at the base and now clerk to the parish council, is more positive. "Everybody was shocked and surprised when they first heard of the raid. But it's different now. It's the first time Gaddafi has had bombs dropped in his own backyard and I think it was a big success."

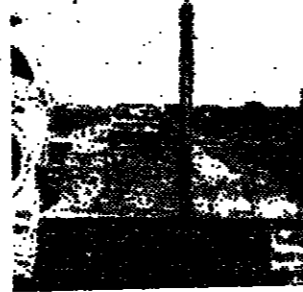
He is pleased Mrs Thatcher, the Prime Minister, gave the raid her blessing and is correspondingly disparaging about the refusal of France and Spain to allow the US warplanes to overfly their territory. "If the boot had been on the other foot and Gaddafi had wanted to bomb us, I don't think he would even have asked their permission."

will last is another matter. "A month or two and it should all die down," said the customer. "You're chief security officer tonight," the landlady tells her barman, smiling.

"Only if I get a peaked cap. I won't do it unless I get a peaked cap," says the barman.

Tomorrow a Campaign for Nuclear Disarmament demonstration is planned for outside the airbase. The village seems universally opposed.

"It wasn't even a nuclear strike," says Mr Gray, whose daughter is married to an American airman. "But the police should be able to handle it."



An F-111 US bomber landing at Upper Heyford air base yesterday

Mrs Betty Golder watched British bombers take off from the base in the Second World War and has lived beside the Americans since 1949. She is unimpressed that her home village may be a target for Colonel Gaddafi's revenge.

"I don't feel anything different," she says cheerfully from her neat front garden, just west of the main flight-path. She dips a brush into a can of creosote. "I'm more concerned

—Village shop owner Mr Chris Davis is concerned. Gaddafi might strike back at the village. He reported suspicious car to the police yesterday and was laughed at for his pains by several village youths. The police say he was right. They have increased patrols and are exhorting all to be vigilant.

In the Three Horseshoes women's handbags were due to be searched for explosives last night. How long the vigilance

Women peace campaigners from Greenham Common have been and gone. They, too, were unpopular. "No peace-campers," reads the prescription on the door of the village's second pub, The Barley Mow.

Locals were undoubtedly taken aback by the Tripoli raid. Some felt it unjustified and dangerous. "A shock wave of fear swept through Upper Heyford yesterday," the local newspaper, the Eicester Advertiser, told readers this week.

They are, however, clearly over the worst and the even tenor of village life seems scattered to have been disturbed. The US base may feel differently for a while. "Alert in progress" said a front-gate notice: "current alarm situation."

## Bank of Scotland Base Rate

Bank of Scotland announces that, with effect from 21st April 1986 its Base Rate will be decreased from 11.00% per annum to 10.50% per annum.



## Clydesdale Bank PLC

### BASE RATE

Clydesdale Bank PLC announces that with effect from 21st April 1986, its Base Rate for Lending is being reduced from 11% to 10½% per annum

### Tokyo Pacific Holdings N.V.

At the Annual General Meeting of Shareholders held on 17th April, 1986 a cash dividend of US\$ 0.75 per Ordinary Share was declared payable as from 24th April, 1986 against delivery of dividend coupon No. 16 with any one of the Paying Agents.

### Tokyo Pacific Holdings (Seaboard) N.V.

At the Annual General Meeting of Shareholders held on 17th April, 1986 a cash dividend of US\$ 0.545 per Ordinary Share was declared payable as from 24th April, 1986 against delivery of dividend coupon No. 16 with any one of the Paying Agents.

### Pierson, Holding & Pierson N.V.

Herengracht 214, 1016 BS Amsterdam

### National Westminster Bank PLC

3rd Floor, 20 Old Broad Street, London EC2N 1EJ

### l'Européenne de Banque

21 Rue La Fayette, Paris 9

### Sat. Oppenheim jr. & Cie.

Unter Sachsenhausen 4, D 5000 Köln 1

### Trinkaus & Burkhardt

Königsallee 21-23, D 4000 Düsseldorf 1

### Pierson, Holding & Pierson N.V.

Herengracht 214, 1016 BS Amsterdam

### National Westminster Bank PLC

3rd Floor, 20 Old Broad Street, London EC2N 1EJ

### Banque Paribas

3 Rue d'Antin, Paris 2

### Banque Paribas Belgique S.A.

Boulevard Emile Jacqmain 162, B 1000 Bruxelles

### Banque Paribas (Luxembourg) S.A.

10a Boulevard Royal, Luxembourg

## Barclays Bank Base Rate.

Barclays Bank PLC and Barclays Bank Trust Company Limited announce that with effect from 21st April 1986 their Base Rate will be decreased from 11% to 10½%.



## TSB BANK

With effect from the close of business on Friday, 18th April 1986 and until further notice, TSB Base Rate is decreased from 11.00% p.a. to 10.50% p.a.

All facilities (including regulated consumer credit agreements) with a rate of interest linked to TSB Base Rate will be varied accordingly.

Trustee Savings Banks Central Board, PO Box 33, 25 Milk Street, London EC2V 8LU.

## NEW INTEREST RATES

**Base Rate** is reduced by 0.5% to 10.50% per annum with effect from the 21st April 1986.

**Deposit Account** Interest on Deposit Accounts is reduced by 0.5% to 4.75% net p.a. with effect from 21st April 1986. For those customers who receive interest gross, the rate is reduced to 6.35% p.a.



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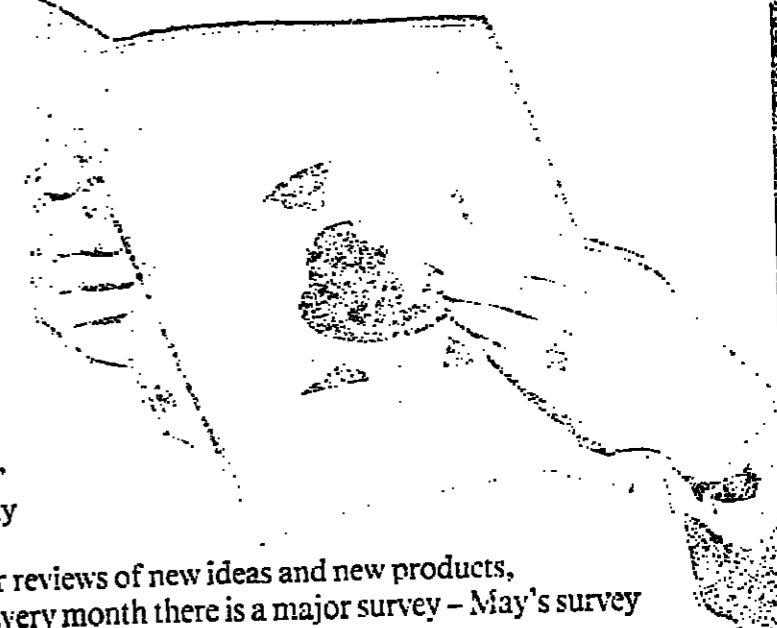
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Saturday April 19 1986

## Meantime back at the ranch

THE WEEK'S news has been dominated by one military action, and the murders and recriminations which have followed; and it may be that these will prove to be the bombs that shake the world. The US reprisal against Libya has for the moment inflamed the anti-Americanism of the Arab in the street, strained relations between the US and continental Europe, and claimed a number of British victims.

The markets, however, cannot afford to give too much weight to ordinary human emotions, and they have suspended judgement on the whole episode. If it remains an isolated incident, it may fade quite quickly into the background. If, on the other hand, further provocations lead to further military action, the results could be large, unpredictable, and almost certainly negative.

Much may depend on the diplomacy of the coming weeks, as the allies try to agree on counter-terrorist measures more likely to be effective and less liable to backfire.

Flattering figures  
Meanwhile, a good deal of news about the real economies on both sides of the Atlantic has gone relatively unremarked. On the face of it, growth has recovered sharply in the US, but only very modestly in the UK.

The nature of this distortions is easy to see, but their size is much harder to estimate. Much of the recovery recovering can be attributed to two causes which are at the very best ambiguous: a rise in net exports (or rather a fall in the net trade deficit) and a rise in stock-building.

# THE UK MERGER WAVE This show will run and run

### At the end of the long battle for Distillers, John Makinson looks at the state of the takeover art

THERE WAS no ticker-tape parade through the City of London, or even a televised address to the shareholders, but in almost every other respect yesterday's conclusion to the Distillers battle bore the hallmarks of a US presidential election.

The campaign proper began almost six months ago — and Mr James Gulliver of Argyle made it known that he was running long before that — since when money and effort have been expended with an extravagance that would do credit to the wealthiest and most determined presidential candidates.

For one thing, it is bigger. At more than £200 million, the Imperial and Distillers deal — the former was settled last week with Lord Hanson of Hanson Trust emerging as the victor — dwarfed any previous takeovers in the London market. But it was the way in which the bids were fought, as much as their size, which set these two takeovers apart from their predecessors.



Imperial shareholders, asking them among other things whether they had noticed Hanson's advertising campaign. Twenty-nine per cent replied that they had. At the time, Hanson had not run a single advertisement. Newspaper campaigns were supplemented by videos, specially adapted television commercials and other documents which were clearly the work of creative designers rather than merchant bankers.

Behind the public campaigns, all the parties to the deal worked feverishly to secure the support of key individuals — members of parliament, trade unionists, journalists and institutional fund managers. While the management of the target companies disappeared slowly from sight, the bidders mounted lobbying programmes of unprecedented intensity.

coordinating role in takeover bids used to fall to the merchant bank, it has increasingly been assumed by the chief executive of the bidding company and his immediate advisers. As one City banker remarked with regret: "The merchant banks used to tell the client what to do; now the reverse is true."

Instead, the merchant banks underwriting of their clients' equity on an unprecedented scale. All four offers were so audacious. Hanson was the only company bidding for something smaller than itself — that they could only be financed through the equity market.

## Woman in the News



### Jennifer Guinness

# An Irish heroine stands her ground

By Hugh Carnegie

IT IS A measure of the near tangible wave of admiration and affection for Mrs Jennifer Guinness that swept Ireland following her kidnapping that at a news conference following her release she was spontaneously applauded by journalists not once, but twice.

The Guinnesses are not the hard-up, landed-but-in-faded-mansions sort portrayed by novelist Molly Keane, but they are certainly "old money" with strong links to Britain. Mr Guinness was educated at Eton and served in the Royal Navy. Mrs Guinness's father was a British army colonel. They are Episcopalian, belonging to the Church of Ireland, not the Catholic Church, which along with service in the British armed forces is a typical mark of the Anglo-Irish.

# BOOKER

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TOURISM IN EUROPE

US fear of flying takes a heavy toll

David Churchill foresees a summer of discontent



This week's bomb alert at Heathrow may turn the Americans away

GRAH FERGUSON may yet prove to be the one bright hope in an otherwise gloomy picture of Britain's tourist trade this summer. Her wedding in July to Prince Andrew could be the one draw for US tourists, capable of entering their fears of terrorist attacks in Europe. The normally free-spending Americans are staying at home in large numbers. Up to half a million fewer may visit Britain this summer, with possibly a similar number avoiding Mediterranean countries such as Spain, France, Greece and Italy. Europe's tourist industries — already having to cope with a volatile oil price and currencies in confusion — face this week's crisis in Libya as only the latest factor which is turning the Americans away from Europe and towards holidays nearer home. The terrorist incidents of the last six months — plus President Reagan's recent televised exhortations last year to LIS citizens to stay at home — have dashed hopes that 1986 would set a record for the influx of Americans.

question that our business is being hit at present." The British Incoming Tour Operators Association — which represents 75 major companies concerned with wooing overseas visitors to Britain — estimates the number of American tourists now visiting Britain at some 25 to 30 per cent lower than in April last year. "The incoming tourist trade from other parts of Europe is also a bit patchy at the moment," adds Mr John Boon, the association's chairman. American Express also expects between 20 to 25 per cent fewer package holidaymakers from the US this summer. The spin-off effects of fewer Americans in London are already beginning to be felt by restaurants and theatres which depend on tourists, while taxi-drivers have also noticed the fall-off. A specialist tour company, Conference Care in Bedford, says that it has received many "panic calls" from steady homes and hotels looking for new business to replace cancelled trips by American tour groups. In the rest of Europe the picture is much the same. While any amount one in every two tourists in Italy — Europe's biggest tourist industry — from the US, Americans account for almost a fifth of tourist spending. Tour operators report that group bookings from the US are about 30 per cent down on this time last year. At the up-market Cipriani Hotel in Venice, the Villa San Michele in Florence, and the Splendido in Portofino, bookings are about 15 per cent

down. The Venice Simplon Orient-Express Hotels group, which owns these three hotels, expects a \$1m loss of revenue this year as a result. "Americans tend to think Europe is a very small place and imagine you can hear the gunfire from Tripoli in southern Italy," is the wry comment of Mr Colin Bather, the group's chief executive. Greece has already experienced a slump in US tourists since the hijacking last year of a TWA jet flying from Athens to Rome. Before, the numbers of American tourists were running about 20 per cent above the previous year; however, the total for 1985 was 2 per cent down on 1984 which meant a loss of \$106m in revenue for the Greek tourist industry. Bookings at Athens hotels are now 30 per cent lower than this time last year, while cruise operators report their US customers are down by 80 per cent. "Last year we brought 80 groups of about 25 people each from the US," says one travel agent in Athens. "This year not a single American has booked a holiday with us." France, like Greece, relies heavily on its earnings from tourism and is already counting the cost of cancelled holidays. Trade estimates suggest a fall of about 30 per cent in American visitors to France this year. A survey by French travel agents found that there had been more than 300,000 cancellations by Americans since last June. One travel agent for ex-

officials privately admit that the campaign has failed badly. Some European tourist industries may also be able to make up the shortfall of Americans from other countries. Italy, for example, expects more German visitors after the recent re-valuation of the D-mark against the lire. "But they don't spend anything like as much as the Americans," complains one Italian travel agent. The number of Britons holidaying at home is unlikely to compensate for the missing Americans. UK demand for foreign holidays is about 20 per cent higher than at this time last year and two-thirds of foreign package holidays have already been booked and paid for. Travel operators report no signs of Britons showing any reluctance to travel to Mediterranean countries. If the Americans are not persuaded by the pomp and splendour of a royal wedding to come to Britain after all, then there could be some unexpected consequences. For example, the famous Agatha Christie stage-play—the Mousetrap—relies heavily on Americans who make up a significant part of its nightly audiences. It would be ironic if, after 33 years and more than 10,000 performances, the world's longest running play was forced to close through lack of Americans wanting to know whodunnit. Additional contributions from James Buxton, David White, Susan Elliott, Annalena McAfee, and Andriana Ierodiakonou.

Inside Gadaffi's Libya

The night the lights went out

By Tony Walker in Tripoli

MICHAEL ROSS, of the Los Angeles Times, was on the phone to his office around 2 am on Tuesday, dictating copy when in the sky outside his hotel room on Tripoli's waterfront there were flashes of light. Moments later there were a series of very loud explosions followed by the scream of jet engines as the UK-based P111s of the US airforce dropped their bombs and scouted back across the Libyan coast through a hail of anti-aircraft and missile fire. Hurriedly, Ross scrambled a new lead to his story, saying the Libyan capital was under attack. He was one of the few fortunate American correspondents to get his story out quickly—a number had filed reports earlier in the evening saying that things in Tripoli appeared calm. Reporters staying at the Grand Hotel, a modern structure facing the harbour, scrambled for phones and tele machines. But it was too late. "Telex lines were closed and phone calls were impossible. The hotel was plunged into total darkness and no-one was permitted to leave the premises. Among very few lines open were those to the major American television networks—ABC, CBS and NBC. Through-out Tuesday and Wednesday reporters were confined to the hotel, except for organised trips to, among other places, a bomb site in a residential area where at least one civilian was killed. Officials of the Information Ministry, custodians of the foreign press, were busy, but not persuaded by the pomp and splendour of a royal wedding to come to Britain after all, then there could be some unexpected consequences. For example, the famous Agatha Christie stage-play—the Mousetrap—relies heavily on Americans who make up a significant part of its nightly audiences. It would be ironic if, after 33 years and more than 10,000 performances, the world's longest running play was forced to close through lack of Americans wanting to know whodunnit. Additional contributions from James Buxton, David White, Susan Elliott, Annalena McAfee, and Andriana Ierodiakonou.

The price of oil

From Mr L. Fletcher  
S—If I had a garden with an iron well in it and the price of oil fell drastically, I would reduce the flow till the price rose again. Knowing the variable nature of the price of this commodity, however, I would not have geared my standard of living to the price remaining at the high level, and would have other things for my oil to do. Even when the price was high I would certainly not be paying people to sit on my fence and watch my oil men working. I would also not pretend that I had a financial manager who was not agreeing with the price I would sack him on the spot. This is the position of Neil Lawson, who is supposed to be looking after my financial affairs. I.M. Fletcher, 75 Severn Road, Chichester, Warrington.

Letters to the Editor

open for the service of customers on the English Sabbath (but only until 2 pm) for the sale of fresh, frozen, dehydrated, or any other kind of brussel sprouts. Alternatively, the Vicar's wife could purchase anywhere in England or Wales, freshly cooked brussel sprouts. If she purchased them hot, they would attract the additional burden of 15 per cent VAT. But if the retailer concerned were dilatory in serving her, and the brussel sprouts had cooled sufficiently by the time she reached the checkout, this burden might prove difficult to enforce. Certainly the notion of travelling all the way to Scotland is quite unnecessary. If the Vicar's wife were determined to buy her brussel sprouts, tinned or bottled, or fresh or frozen, she need only, with her local authority's blessing under Section 51 (c) of the Act patronise her nearest holiday resort, provided that she did so on no more than 18 Sundays in any one year. Mr Albert Haddock, now sadly deceased, would undoubtedly have been prepared to take to their Lordships' House the question of whether or not brussel sprouts in any shape or form, from an automatic coin-operated vending machine, which involves no element of personal customer service, was permitted within the meaning of the Act. Of course, given the transactions permitted under section 2 (3b) and (g) of the 2nd schedule of the Act, the whole situation would be entirely simplified, if the Bishop were known to be partial to a nice plate of freshly cooked tripe. Janice Davis, 107 Warren Road, Chelsheld, Orpington, Kent.

Reduced bonus rates

Provident to be approved by the court is contained in the Insurance Companies Act 1982. Sub-section 49(5) states that, on any petition seeking a court order to sanction such a scheme of arrangement, "any person (including any employee of the transferee company or the transferee company) who alleges that he would be adversely affected by the carrying out of the scheme" shall be entitled to be heard. E. R. Devitt (Controller (Admin.)), Pearl Assurance, High Holborn, WCI.

ADVERTISEMENTS BUILDING SOCIETY RATES

Table with columns: Society Name, Share, Sub/ptn, Other, and various interest rate details.

UK COMPANY NEWS

Demerger lays claim to 37% of Extel's shares

BY CHARLES BATCHELOR

Demerger Corporation, the newly-created company which is making a £170m takeover bid for Extel, the sporting and business information group, announced last night that it had the backing of 37 per cent of Extel's shares for its offer.

to these figures yesterday: Mr Peter Earl, managing director of Inncorp described the position as looking "quite healthy". Mr John McArthur, a director of Kensington Bengon which is advising Extel, called it "quite encouraging".

Hanson clinches Imperial victory

By Martin Dickson

Hanson Trust yesterday formally clinched victory in the £26bn takeover battle for Imperial Group, when it said it now spoke for over 64 per cent of the company's shares and declared its offer unconditional.

Hawley acquires most of BCA's stake in Attwoods

BY CHARLES BATCHELOR

British Car Auctions, which is headed by Mr David Wickins, is ending its 51-year association with Attwoods, the waste handling group, by selling its 32.5 per cent stake for a net total of £18.6m, equal to 142.5p per share.

Attwoods had decided to sell because the Attwood holding had come to represent too large a single investment. In addition, BCA did not want to feel committed to providing further funds for Attwood if it decided to expand, he added.

BCA acquired a controlling stake in Attwood Garages, as the company was then called, when it bought a 57 per cent holding for £897,000 in November 1980. Its holding fluctuated in the intervening years as Attwood issued shares to fund acquisitions, and BCA made occasional additional purchases.

Kwik Save profits over £18.5m at midway

Kwik Save Group, the grocery supermarket operator, has increased interim taxable profits from £15.39m to £18.55m, sales £46.55m higher at £2m.

Allied confident on Canada deal

BY MARTIN DICKSON

Allied-Lyons, the British food and drinks group, said yesterday that the new bid from Canada Corporation for Hiram Walker Resources should have no effect on its £1.25bn agreement to buy Hiram Walker's wines and spirits division.

Canada withdrew its offer on Wednesday, but reserved the right to return to the bidding in some circumstances. Sir Derrick said Allied had now made its submissions on the deal to both Britain's Office of Fair Trading and Investment Canada, that country's foreign investment review body.

Chrysalis cautious on prospects

BY CHARLES BATCHELOR

Chrysalis Group, the records and leisure company, yesterday reported interim profits in line with budgets but warned that the completion of recordings by a number of its major artists had been delayed, which could result in the late release of several albums.

Wardle hots up fight for RDF

BY MARTIN DICKSON

Wardle Stores, the plastic sheeting manufacturer which is making a £22m bid for the diversified RDF, has increased its offer to £23.1m, a 45 per cent increase on its £16.2m offer of March 1985.

Samuel Props. approach

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

Samuel Properties, the UK development and investment group, said yesterday that it had received an approach which might lead to an offer for the company.

Bache offer unconditional

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

The offer for Clive Discount by Prudential Bache Securities of the US has gone unconditional, with acceptances representing 56.1 per cent of the ordinary capital already received.

Staffs. Potteries

Staffordshire Potteries, resisting a £14m bid from Coleridge, said that its preference shares are not equity, do not carry votes, and are convertible only if Coleridge gains control of 50 per cent of the ordinary shares.

Marginal increase at Cussins

BY CHARLES BATCHELOR

Cussins Property, the Newcastle-upon-Tyne based investment and development group, yesterday announced a marginal increase in pre-tax profits and a plan to create a joint development company with Throgmorton Trust.

FT-Actuaries Share Indices

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

Table with columns for EQUITY GROUPS & SUB-SECTIONS, Fri April 18 1986, and Highs and Lows Index. It lists various sectors like CAPITAL GOODS, BUILDING MATERIALS, etc., with their respective share indices and price movements.

More legal problems for Hobson

By David Goodhart

Hobson, the USM-quoted maker of a new process of aluminium die manufacture, has been plunged back into legal dispute over the invention.

Western Doors

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

Group profit of Western Doors Tea Holdings jumped from £210,000 to £317,000 in 1985. The dividend is held at 6p.

Assam Doors

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

Assam-Doors Holdings is maintaining its dividend at 5p net per share for 1985 on earnings ahead from 28.71p to 45.82p.

Dividends Announced

Table listing companies and their dividend announcements, including Assam-Doors, British Car Auctions, and others, with dates and amounts.

Table titled 'FIXED INTEREST' showing average gross redemption yields for various instruments like British Government bonds, Corporate bonds, and others, categorized by term (1, 2, 3, 5, 10 years).

North Sea Assets

BY CHARLES BATCHELOR

For the half-year ended March 31 1986, North Sea Assets increased its pre-tax profit from £40,000 to £598,000, but its net asset value at that date has been cut to 106.31p from 129.95p at December 31 1985.

Equity section of group

Table showing equity section of group for various companies, including Telephone Networks, Electronic, and others, with base date and base value.

Equity section of group

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Equity section of group

Table showing equity section of group for various companies, including Telephone Networks, Electronic, and others, with base date and base value.

RECENT ISSUES

EQUITIES

Table of stock prices for various equities, including columns for issue price, 1986 high/low, and stock names.

FIXED INTEREST STOCKS

Table of fixed interest stocks, including columns for issue price, 1986 high/low, and stock names.

RIGHTS OFFERS

Table of rights offers, including columns for issue price, 1986 high/low, and stock names.

Dassault: Last of the aerospace pioneers

MR MARCEL DASSAULT, the French aeroplane builder, financier and politician who died yesterday at the age of 94, leaves behind a unique and indelible mark on the industrial face of France and a deep reservoir of affection across public opinion.

Legend but an institution. He was deported to Buchenwald during the Second World War because of his Jewish descent, yet survived to finish his life as France's richest man—a symbol of the country's own vicissitudes during a turbulent century.

By David Marsh in Paris. Born in January 1892 as Marcel Bloch, Mr Dassault was the youngest of a family of four strong-willed sons.

of one of his elder brothers. The connotation "d'assault"—attack—was to serve as the leitmotif for the range of jets built by the Dassault company, starting with the Ouragan in 1949 and extending through the famous Mirage series, the first member of which flew in 1955.

Osise region north of Paris since 1958. He romped home to a comfortable victory in the March 16 elections without putting in a single personal appearance during the campaign, and had been preparing to make his customary doyen's opening address before the National Assembly before a final bout of flu forced him into hospital.



Marcel Dassault, who became France's richest man

paternalistic generosity. Mr Dassault always made sure that copies of Jours de France were regularly on their doorsteps.

Pargesa boosts stake in Lambert Brussels to 25%

PARGESA, the Swiss holding company with financial and industrial interests in the US and five European countries, has reported net earnings of Sfr 23.5m (\$10.2m) for the six months to the end of 1985.

Bigger payout from Zurich Insurance

ZURICH INSURANCE is to increase its dividend for 1985, following a 10.3 per cent improvement in net earnings to Sfr 123.5m (\$66.1m).

Volker Stevin pays first dividend in five years

ROYAL Volker Stevin, the Dutch construction company, reported that its earnings tumbled 16 per cent to Fl 13.2m (\$5.3m) in 1985 on idle capacity and foreign exchange losses.

AM makes \$235m offer for Harris

AM INTERNATIONAL, the Chicago-based office equipment group, has launched its most ambitious acquisition attempt since emerging from bankruptcy in 1984 by bidding about \$235m for Harris Graphics, the largest US manufacturer of printing equipment.

Trelleborg purchases 40% shareholding in Boliden

TRELLEBORG, the Swedish rubber products group, has purchased a 40 per cent stake in Boliden, the Swedish mining, metals and trading company for Skr 700m (\$88m).

Kaiser terms raised

An investor group led by Mr J. A. Frates, the Oklahoma businessman, yesterday sweetened its bid for Kaiser Aluminum & Chemical from \$21.50 a share to \$26, valuing the third largest US aluminium group at \$1.23bn, writes our Financial Staff.

Canada gives go-ahead to Imasco's bid for Genstar

CANADA'S Federal Government has allowed Imasco, the fast-food, tobacco products and retailing group, to take over Canada Trust Co, the country's largest trust company, through a general offer worth C\$2.44bn (US\$1.76bn) for Genstar, its parent.

Accor shows 25% advance

ACCOR, the French hotel and restaurant group, yesterday announced a 25.5 per cent rise in net consolidated earnings for 1985 compared with 1984.

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World Gold in 1986. 18 and 19 June 1986. For information please return this advertisement, together with your business card, to: Financial Times Conference Organisation.

LONDON TRADED OPTIONS. Table with columns for Option, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec, and various call/put data.

Table of financial data for various companies, including columns for 1986 and 1985 figures.

Table of financial data for various companies, including columns for 1986 and 1985 figures.

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Granville & Co. Limited. Member of the National Association of Security Dealers and Investment Managers. 8 Lovat Lane London EC3R 8BP. Telephone 01-421 2122.

LAD BROKE INDEX. 1402-1408 (+2). Based on FT Index. Tel: 01-427 4411.

WORLD STOCK MARKETS

NEW YORK

Table of New York stock market data including various stock prices and indices for April 17 and 18, 1986.

NEW YORK INDICES

Table showing New York stock indices such as Dow Jones, S&P 500, and others for the period April 17-18, 1986.

CANADA

Table of Canadian stock market data including Toronto and Montreal indices for April 17-18, 1986.

NEW YORK STOCKS

Table of New York stock market activity including trading volume, price changes, and other market statistics.

Fighting off early profit taking

STOCKS CLUNG to small gains on Wall Street yesterday, after fighting off morning profit-taking. Crude oil futures gave an impetus to the discount rate.

Banking and Motor sectors, but

turned out to be the centre of demand most of the week, but were also buying issues which have trailed the rally.

However, the All Resources shed

5.1 to 640.7. Oil 23.9 to 82.5 and Metals & Minerals 8.5 to 544.7.

Closing prices, for North America were not available for this edition.

CANADA

Table of Canadian stock market data including various stock prices for April 17 and 18, 1986.

GERMANY

Table of German stock market data including various stock prices for April 17 and 18, 1986.

AUSTRIA

Table of Austrian stock market data including various stock prices for April 17 and 18, 1986.

NETHERLANDS

Table of Dutch stock market data including various stock prices for April 17 and 18, 1986.

FRANCE

Table of French stock market data including various stock prices for April 17 and 18, 1986.

SWITZERLAND

Table of Swiss stock market data including various stock prices for April 17 and 18, 1986.

NOTES: Prices on this page are as quoted on the individual exchanges and are last trading prices. All dealings suspended. All figures in US dollars unless otherwise stated.

CURRENCIES and MONEY

FOREIGN EXCHANGES

Dollar hits record yen low

The dollar fell to a record low of ¥174.15 against the Japanese yen...

Dealers wonder whether the US central bank would delay a rate cut...

The dollar showed less movement against European currencies...

Tuesday's addition of reserves to the New York banking system...

Sterling was already weakening when Barclays Bank announced...

Federal funds fell to 6 1/2 per cent in New York yesterday...

STERLING INDEX table with columns for time and rate.

POUND SPOT - FORWARD AGAINST POUND

Table showing pound spot and forward rates for various currencies.

OTHER CURRENCIES

Table of other currency rates including Argentinian, Australian, and Canadian.

DOLLAR SPOT - FORWARD AGAINST DOLLAR

Table showing dollar spot and forward rates for various currencies.

CURRENCY RATES

Table of currency rates for various countries like Spain, Italy, and Greece.

EURO-CURRENCY INTEREST RATES

Table of Euro-currency interest rates for different terms and currencies.

CURRENCY MOVEMENTS

Table showing currency movements and Morgan's currency change averages.

EXCHANGE CROSS RATES

Table of exchange cross rates for various currencies.

MONEY MARKETS

Base rate cut to 10 1/2%

Clearing bank base rates have been cut by 1/2 per cent...

£245m was also provided. Bills maturing in official hands...

FT LONDON INTERBANK FIXING

Table of FT London interbank fixing rates.

MONEY RATES

Table of money rates for various currencies.

LONDON MONEY RATES

Table of London money rates for different terms.

UK clearing banks base lending rate 10 1/2% from April 21

The Bank of England initially forecast a money market short...

COMMODITIES AND AGRICULTURE

REVIEW OF THE WEEK

Aluminium leads fall in base metals

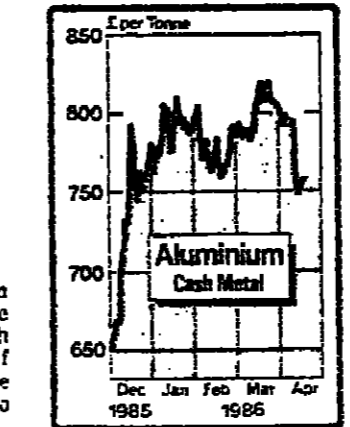
INTERNATIONAL TENSION is traditionally a signal for buying of metals...

The fall has been largely a matter of market sentiment...

Among the base metals aluminium turned in the weakest performance...

WEEKLY PRICE CHANGES

Table showing weekly price changes for various commodities.



US MARKETS

HIGHER THAN EXPECTED US GNP figures...

US GNP figures for the first quarter made for choppy trading on financials...

ORANGE JUICE 15,000 lbs, cents/lb

Table of orange juice prices.

PLATINUM 50 Troy oz, \$/Troy oz

Table of platinum prices.

SILVER 5,000 Troy oz, cents/Troy oz

Table of silver prices.

SUGAR WORLD 11,000 lbs, cents/lb

Table of sugar prices.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

Table of New York aluminium prices.

CHICAGO

LIVE CATTLE 40,000 lbs, Cents/lb

Table of Chicago live cattle prices.

LIVE HOGS 30,000 lbs, Cents/lb

Table of Chicago live hogs prices.

MAIZE 5,000 bu, min, cents/50lb-bush

Table of Chicago maize prices.

COFFEE "C" 37,500 lbs, cents/lb

Table of Chicago coffee prices.

SOYBEAN MEAL 5,000 bu, min, cents/50lb-bush

Table of Chicago soybean meal prices.

SOYBEAN OIL 42,000 US gallons, cents/US gallon

Table of Chicago soybean oil prices.

WHEAT

Table of Chicago wheat prices.

PORK BELLIES 38,000 lbs, Cents/lb

Table of Chicago pork bellies prices.

SOYBEAN OIL 5,000 bu, min, cents/50lb-bush

Table of Chicago soybean oil prices.

POTATOES

Table of potato prices.

COCOA

Table of cocoa prices.

GRAINS

Table of grain prices.

WHEAT

Table of wheat prices.

BARLEY

Table of barley prices.

OIL

Table of oil prices.

MEAT

Table of meat prices.

MEAT COMMISSION - Average fat

Table of meat commission prices.

FREIGHT FUTURES

Table of freight futures prices.

INDICES

FINANCIAL TIMES

Table of Financial Times indices.

REUTERS

Table of Reuters indices.

DOW JONES

Table of Dow Jones index.

INTERNATIONAL SUGAR AGREEMENT

International Sugar Agreement (US and EU)...

SOYBEAN MEAL

Prices remained steady on the back of professional and consumer...

BASE METALS

ALUMINIUM

Table of aluminium prices.

COPPER

Table of copper prices.

ZINC

Table of zinc prices.

LEAD

Table of lead prices.

NICKEL

Table of nickel prices.

TIN

Table of tin prices.

GOLD

Table of gold prices.

CRUDE OIL - FOB (5 per barrel) - May

Table of crude oil prices.

WORLD OIL - FOB (5 per barrel) - May

Table of world oil prices.

GAS OIL FUTURES

Table of gas oil futures prices.

CRUDE OIL - FOB (5 per barrel) - May

Table of crude oil prices.

WORLD OIL - FOB (5 per barrel) - May

Table of world oil prices.

GAS OIL FUTURES

Table of gas oil futures prices.

LONDON STOCK EXCHANGE

Base rate cuts revive flagging markets
Gilts and equities close slightly higher

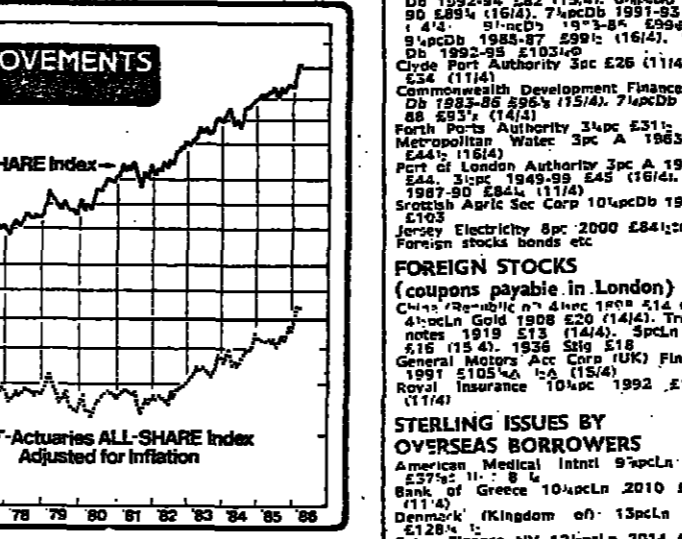
Late morning announcements of base rate cuts and a further fall in the rate of inflation revived a flagging London equity market yesterday. The reduction of the base rate to 10 1/2 per cent in bank borrowing charges were mildly disappointing as money market levels had been pointing to the possibility of a further rate cut. The authorities immediately endorsed the banks' move by lowering official intervention rates a similar amount. Commercial rates for credit eventually hardened, but prospects for a continuation of the trend towards cheaper money remained bright.

Account Dealing Dates
\*First Declared Last Account
Dealings Date Dealings Day
Apr 1 Apr 10 Apr 11 Apr 21
Apr 14 Apr 24 Apr 25 May 6
Apr 28 May 8 May 9 May 19
\*New-time\* dealings may take place from 9.30 am two business days earlier.

of the company's finance and raising operation. Buyers also returned for merry, finally 6 to the good at 133p, while recent favourite Hartwells touched 108p before settling only a net penny up at 106p—a gain of 21 on the week. Comments remained mixed. AE attracted fresh support to close 5 dearer at 171p; the interim results are scheduled for May 8.

Leading Retailers finished the week on a subdued note. GUS A, however, advanced 3 baors to 111 amid persistent enforcement hopes coupled with widespread speculation that the company is about to pass control of its high-street furniture interests to Cavendish Woodcock and Times Furnishing—another concern: Harris Queensway, which has already done a similar deal with GUS over the latter's Thomas discount operation, was mentioned as a likely candidate and advanced 6 more to 288p. Further consideration of the annual figures lifted Bentalls 4 to 171p, while sizeable late support, including arbitrage interest, lifted Lamira Ashley 6 to 213p. The preliminary figures are scheduled for next Wednesday. Buyers returned for Next, which having been a depressed market since the interim figures were announced earlier in the month. Samuel A. shares closed 5p to the good at 85p, after 8 1/2p, while Ratners hardened 2 to 141p. Plessey continued firmly in Electricals, rising 6 more to 234p following renewed demand in a market short of stock and vague suggestions that the group could yet participate in the Palmairam US army contract. Favourable reports emanating from an insti-

tuational visit helped Cable and Wireless touch 785p before closing 22 to the good at 789p. British Telecom, however, reflected revived Mercury Communications competition worries and dropped 4 to 230p. Elsewhere, computer stocks fared well with Apricot closing 3 dearer at 100p and 40p. Circom firming 7 to 102p, as did Tanstall Telecom to 315p. Revised speculative buying left FKI a better at 67p, while Thermal Scientific added 50 to 430p on expansion hopes.



FINANCIAL TIMES STOCK INDICES
Table with columns for Stock Index, April 18, April 17, April 16, April 15, April 14, April 13, April 12, April 11, April 10, April 9, April 8, April 7, April 6, April 5, April 4, April 3, April 2, April 1, 1986.

TRADITIONAL OPTIONS
Table with columns for Stock, Closing Day's Price, Change, Stock, Closing Day's Price, Change.

YESTERDAY'S ACTIVE STOCKS
Table with columns for Stock, Closing Day's Price, Change, Stock, Closing Day's Price, Change.

THE FINANCIAL TIMES
is proposing to publish a Survey on GHANA
on Tuesday May 20 1986
Advertising copy date for this Survey is Monday April 21 1986

NEW HIGHS AND LOWS FOR 1986
Table with columns for Stock, High, Low, Date.

LEADERS AND LAGGARDS
Table with columns for Stock, Rise/Fall, Points, Stock, Rise/Fall, Points.

STOCK EXCHANGE DEALINGS

Details of business done below have been taken with consent from last Thursday's Stock Exchange Official List and should not be taken as a recommendation. Details of business done in the FT Share Information System, which is a business to business market, are also included. The prices are those at which the securities were dealt with on Thursday and are subject to change. The volume of business done is given in the relevant data.

Table of stock exchange dealings including sections for Sterling Issues, Foreign Governments and International Institutions, Corporate & County, UK Public Bonds, Foreign Stocks, and Overseas Borrowers.

STOCK EXCHANGE DEALINGS

Table of stock exchange dealings including various company names, share counts, and prices. Includes sections for 'FINANCIAL TRUSTS', 'INVESTMENT TRUSTS', 'INSURANCE', and 'UNLISTED SECURITIES MARKET'.

AUTHORISED UNIT TRUSTS

Table listing authorized unit trusts with columns for trust name, manager, and other details. Includes sub-sections for 'UNIT TRUSTS' and 'UNLISTED SECURITIES MARKET'.

FT UNIT TRUST INFORMATION SERVICE

Large table providing detailed information for various unit trusts, including names, managers, and performance metrics. Includes sub-sections for 'UNIT TRUSTS' and 'UNLISTED SECURITIES MARKET'.

Table listing various insurance and financial services providers, including names and contact information. Includes sub-sections for 'UNIT TRUSTS' and 'UNLISTED SECURITIES MARKET'.

THE FINANCIAL TIMES IS PROPOSING TO PUBLISH A SURVEY OF INDIA ON MONDAY MAY 12 1986. For further information, please contact: Hugh Sutton, Area Manager, Southern Asia, Financial Times, Bracken House, 10 Cannon Street, London EC4A 4BY. Tel: 01-248 8000 Extn. 3238 - Telex: 880533

AUTHORISED UNIT TRUSTS & INSURANCES

Main table listing various financial products, companies, and their details. Includes columns for company names, product names, and numerical values. The table is organized into multiple columns and rows, covering a wide range of financial services.

INSURANCES

Table listing insurance companies and their products. Includes columns for company names, product names, and numerical values. This section is located at the bottom of the page.



1986

INSURANCE, OVERSEAS & MONEY FUNDS

Table of insurance and overseas funds including Standard Life Assurance Co Ltd, Teachers' Assurance Company Ltd, Transatlantic Life Assurance Co Ltd, and others.

Table of insurance and overseas funds including Barings Fund Managers (Germany) Ltd, Esposito Assurance Group, Helmut Schaeffelin Fund Ltd, and others.

Table of insurance and overseas funds including MFG (Italy) Limited, MFG (USA) Limited, MFG (UK) Limited, and others.

Table of money market funds including Money Market Trust Funds, Money Market Bank Accounts, and various international and domestic funds.

Table of traditional options including 3-month call rates and various option contracts.

OFFSHORE AND OVERSEAS

NOTES

TRADITIONAL OPTIONS

3-month call rates

Table of 3-month call rates and other traditional options data.

LONDON SHARE SERVICE

Table with columns for Stock, Price, and % Change. Includes sections for BRITISH FUNDS, AMERICANS - Cont., and AMERICANS.

BUILDING, TIMBER, ROADS - Cont.

Table listing various building, timber, and road stocks with their respective prices and changes.

DRAPERY & STORES - Cont.

Table listing various drapery and store stocks with their respective prices and changes.

ELECTRICALS

Table listing various electrical stocks with their respective prices and changes.

CHEMICALS, PLASTICS

Table listing various chemical and plastic stocks with their respective prices and changes.

DRAPERY AND STORES

Table listing various drapery and store stocks with their respective prices and changes.

BEERS, WINES & SPIRITS

Table listing various beer, wine, and spirit stocks with their respective prices and changes.

BUILDING, TIMBER, ROADS

Table listing various building, timber, and road stocks with their respective prices and changes.

AMERICANS

Table listing various American stocks with their respective prices and changes.

INDUSTRIALS - Continued

Table listing various industrial stocks with their respective prices and changes.

ENGINEERING - Continued

Table listing various engineering stocks with their respective prices and changes.

FOOD, GROCERIES, ETC

Table listing various food, grocery, and other stocks with their respective prices and changes.

HOTELS AND CATERERS

Table listing various hotel and catering stocks with their respective prices and changes.

INDUSTRIALS (Misc.)

Table listing various miscellaneous industrial stocks with their respective prices and changes.

AMERICANS

Table listing various American stocks with their respective prices and changes.

AMERICANS

Table listing various American stocks with their respective prices and changes.

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AMERICANS

Table listing various American stocks with their respective prices and changes.

INDUSTRIALS—Continued. Table listing various industrial stocks with columns for stock name, price, and other financial metrics.

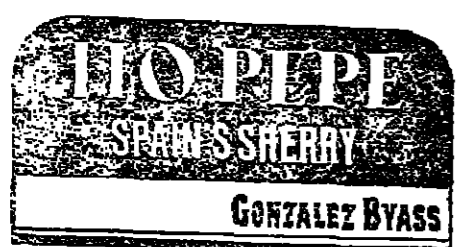
LEISURE—Continued. Table listing leisure-related stocks such as hotels, resorts, and entertainment companies.

PROPERTY—Continued. Table listing real estate and property-related stocks.

INVESTMENT TRUSTS—Cont. Table listing various investment trusts and funds.

FINANCE, LAND—Cont. Table listing financial institutions, land-related stocks, and other miscellaneous companies.

MINES—Continued. Table listing various mining companies, including gold, silver, and copper mines, with detailed financial data.



Impeccable timing.

BAUME & MERCIER GENEVE 1830

Handcrafted Swiss watches at 38 Conduit Street, London W1.

South Africa drops pass laws

BY ANTHONY ROBINSON IN JOHANNESBURG

A PILLAR of the apartheid system will fall next week when the Government drops pass laws...

of pass raids and pass arrests has declined sharply. More than 130,000 blacks were arrested last year and several thousand are in prison for pass offences.

The Government's new policy of "orderly urbanisation." It is likely to come under scrutiny by those, mainly blacks, who fear that the pass laws will be replaced by another form of influx control.

Mr Botha said proposals for reform of the provincial government system would be laid before Parliament during this session. He has refused a request from Chief Mangosuthu Buthezi of KwaZulu and Mr Radelyffe Cadman, Administrator of Natal, for a postponement of the abolition of the Natal provincial council...

UK inflation rate drops to lowest for three years

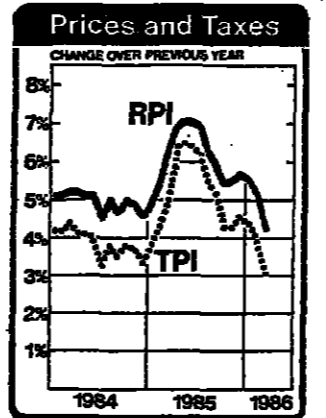
By George Graham

THE UK inflation rate dropped sharply last month to its lowest level since 1983. Officials predict a further fall this month, which will take inflation to its lowest level since 1982.

The annual increase in the Retail Price Index fell in March to 4.2 per cent, compared with 5.1 per cent the previous month, according to the Department of Employment yesterday. At the start of this year it stood at 5.7 per cent.

Mr Nigel Lawson, Chancellor of the Exchequer, said this week that an inflation rate of 3.5 per cent could be achieved in the next few months. With petrol prices and mortgage rates continuing to fall, this target appears within reach as early as next month.

Prices rose by 0.1 per cent in March, compared with 0.9 per cent in the same month a year ago. Dealer clothes and fresh vegetables were partially offset by a cut of 8 1/2 p a gallon in the price of petrol—the sharpest petrol cut the department has recorded.



April's index will benefit from the cut in mortgage rates which took effect from April 1 and officials drew hope that yesterday's further reduction of half a percentage point in bank base rates would trigger further action to lower mortgage costs.

The UK's inflation rate of 4.2 per cent has now fallen below the European Community's average of 4.5 per cent recorded in February, although this average is raised significantly by Greece's 24.4 per cent inflation. The UK rate still stands well above those of France (3.4 per cent), Japan (1.8 per cent) and West Germany (0.7 per cent).

The RPI for March stood at 381.6, compared with 366.1 in March 1985 (1974=100). The Tax and Price Index, published separately by the Central Statistical Office, rose to 194.0 in March (1978=100), an increase of 3.0 per cent over 12 months.

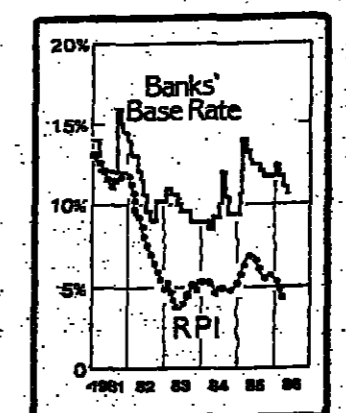
Mr Gorbachev, who was addressing the East German Communist Party Congress, claimed that the US attack on Libya seriously worsened the international situation. In the US, controversy has continued as to whether the air raid on Tripoli was intended to kill Col Muammar Gaddafi, the Libyan leader.

Mr George Shultz, the US Secretary of State, said that a coup against Col Gaddafi would be all to the good, but again insisted that he had not been a direct target. The topic is sensitive in Washington, because US law specifically forbids assassination of foreign enemies. But the Administration appears to feel that it would be all to the good, but again insisted that he had not been a direct target.

THE LEX COLUMN

The toucan has landed

Index rose 1.9 to 1403.1



After all the sound and fury of the past six months, the conclusion of the Distillers affair struck a curiously harmonious note. Guinness was gracious in victory and Argyle dignified in defeat...

Even allowing that Distillers was one of the softest targets in the UK, its acquisition by either bidder would have earned a place in the corporate finance annals. Two years ago the notion that Distillers might be taken over by Guinness or Argyle would have been laughed off the Stock Exchange floor.

It now faces an uphill struggle in justifying an offer which started to look rich at 600p and downright optimistic at 700p. With the assistance of acquisition accounting, Guinness should be able to cover its tracks in the first year or two and it will presumably waste no time in reducing debt through the sale of low-yielding assets.

Anyone who imagines that yesterday's events mark the end of the takeover season should take a look at the

market rally that most people can remember, the temptation is not to be resisted. The gilt edged market has, however, already discounted a considerable depth of future good news about inflation, bank interest rates and life in general.

The Exchange could hardly decide to ignore the facts. But it has drawn some rather tame conclusions. Passing the matter of consent parties to the Department of Trade may be the only option available to the Exchange, and its recommendation that the law be changed to stop undisclosed owners voting at special meetings would bring about an improvement. The conduct of stock market firms may, indeed, have remained within the best professional standards.

Yet there is something seriously amiss with a system in which the existence of different prices is not visible in the market. If it is not a false market for there to be insiders and outsiders, the concept has little meaning. It makes no difference at all that all the special trades were actually completed through official channels.

SE urges further Westland investigation

By Lionel Barber

THE STOCK EXCHANGE inquiry into share dealing in Westland, the British helicopter maker, recommends further investigations by the Trade and Industry Department, according to a report released by the exchange last night.

The three-strong committee of inquiry also recommends that "it should be a positive requirement that only a declared beneficial owner could vote at a special meeting."

It says that it is essential that there should be changes in the law so that a company (such as Westland) "should have the power to disenfranchise shares which are registered in nominee names but where the ultimate beneficiary is not disclosed."

The committee said on the evidence available it was unable to determine whether an undisclosed concert party existed during a bitter proxy battle for control of Westland shares earlier this year.

The inquiry clears Stock Exchange members of breaching any exchange rules during the proxy battle between Sikorsky, the US helicopter maker, and its partner Fiat of Italy, and a rival European aerospace consortium supported by Mr Alan Bristow, the former helicopter operator.

Members caught up in the battle were Rowe & Pitman Westland's brokers; Hoare Govett, acting for the consortium; and Mr Bristow and Seringour Vickers, acting for two of six mystery buyers of shares in the company.

The inquiry says it is satisfied that members "in difficult circumstances, acted in accordance with established practices and took full account of the interest of clients where no precedent was available for guidance."

Table with 5 columns: Country, Day, High, Low, Change. Lists worldwide weather data for various cities.

Guinness takes over Distillers and Hanson wins Imperial

BY DAVID GOODHART

GUINNESS yesterday secured a comfortable victory over the Argyle supermarkets group to end the three-month contest for control of Distillers, the spirits group.

The £2.5bn bid was secured just before 1 pm when Guinness, clear favourite in recent days, declared its offer unconditional and said it spoke for 50.74 per cent of Distillers shares. Argyle immediately conceded defeat and said it would accept the Guinness offer for the 14.4 per cent stake that it and its advisers had built up.

A few hours after the Guinness victory, the other big takeover battle in Britain formally ended when Hanson Trust said it spoke for about 64 per cent of Imperial Group and declared its £2.66bn offer unconditional. Hanson had secured sure of victory since Friday last week when United Biscuits failed in its rival offer for Imperial.

The move came as France made additional efforts to tighten security. The four men have no diplomatic status. A Libyan spokesman in Paris said they might have been "just passing through."

However, there are indications that the Libyans are seeking to check the steady worsening of their relations with European Community members. The Greek Foreign Ministry announced yesterday that Libya wanted EEC mediation to reach "a peaceful, permanent and just solution to all problems which are causing tension in the Mediterranean region."

In his first speech since the US air raid Mr Mikhail Gorbachev, the Soviet leader, said his country and its allies were offering the West "an open hand and not a clenched fist."

Mr Ernest Saunders, chief executive of Guinness, said: "We are delighted that Distillers shareholders have shown such confidence in Guinness. We now have a British-owned, international, consumer brands company able to compete on even terms with the foreign-owned giants."

The Distillers board recommended the Guinness bid when it was made in early January, having fiercely resisted the first Argyle bid lodged a month earlier. The new joint company, to be called Guinness, will have Sir Thomas Risk, Governor of the Bank of Scotland, as its chairman.

Mr Saunders will become chief executive and a vice-chairman. The other two vice-chairmen will be the Earl of Inverclyde, the Guinness chairman, and Mr John Connell, the chairman and chief executive of Distillers. Mr Connell is not expected to stay with the new company for long and the Distillers management and company structure is set for a radical overhaul by Guinness.

The cost of the bid to Guinness has been about £110m, of which about £60m represents underwriting costs, £35m stamp duty and £15 advertising and fees. Mr James Gulliver, the Argyle chairman, said he was very disappointed, but added: "Argyle's judgment last autumn, that Distillers needed a change of direction and new management, has been fully vindicated."

The cost to Argyle of the bid has been about £50m but, at current prices, it is showing a £22m profit on its 10.5m share stake in Distillers. Even so, the net cost of a little less than £30m is close to half Argyle's estimate of £64m as its pre-tax profit this year.

The bid was aggressively fought and provoked a clamp-down by the Takeover Panel on advertising that contained "knocking copy." It also led to court actions by Argyle in its efforts to overturn a decision to let Guinness's second bid to proceed, once it had satisfied the Office of Fair Trading by reducing the Guinness Distillers share of the UK Scotch whisky market by 10 per cent.

The battle has also confirmed the new trend towards success-oriented underwriting costs and the commitment of large sums of money by merchant banks buying shares for clients. Argyle shares closed last night 18p down at 340p. Guinness was 20p down at 315p and Distillers up 5p at 688p.

UK mergers: the crest of a Hanson goes unconditional, Page 10

British bases for its strike at Libya. It would have been easier to have run away from the problem, she told the north London branch of the Conservative Friends of Israel, in her Finchley constituency.

The Campaign for Nuclear Disarmament is to hold a series of mass protests at the weekend in Grosvenor Square, London—near the US embassy—and at three US bases involved in the raid on Libya.

Mr Shabari said Libya wanted to meet an EEC contact group. He is touring countries "which took an honourable position on the American attack" and while criticising Mrs Margaret Thatcher, said Libya would not hit back at British civilians.

In his first speech since the US air raid Mr Mikhail Gorbachev, the Soviet leader, said his country and its allies were offering the West "an open hand and not a clenched fist."

remove all US nuclear forces from Britain. The executive agreed that "the next Labour government will take immediate action to regulate the presence of US forces in Britain. We will ensure that there is a physical British veto over the use of base facilities, in the interest of collective security and in accordance with the Nato treaty."

Mrs Thatcher said yesterday she had "agonised" over her decision to allow the US to use British bases for its strike at Libya. It would have been easier to have run away from the problem, she told the north London branch of the Conservative Friends of Israel, in her Finchley constituency.

The Campaign for Nuclear Disarmament is to hold a series of mass protests at the weekend in Grosvenor Square, London—near the US embassy—and at three US bases involved in the raid on Libya.

Mr Shabari said Libya wanted to meet an EEC contact group. He is touring countries "which took an honourable position on the American attack" and while criticising Mrs Margaret Thatcher, said Libya would not hit back at British civilians.

In his first speech since the US air raid Mr Mikhail Gorbachev, the Soviet leader, said his country and its allies were offering the West "an open hand and not a clenched fist."

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Oppenheimer advertisement: Our style is worlds apart. Features a bar chart showing investment results for 1, 3, 5, and 7 years. Text describes the Oppenheimer International Growth Trust.





MARKETS

Prices soar after US raid on Libya

THERE was a time not so long ago when America's bombing raid on Libya would have sent Wall Street into a nose-dive. Not this week. Not sooner had President Reagan, in true Wayne fashion, told television audiences across America that "We have done what we had to do."

The small correction (less than 5 per cent) which set in after Easter, and took the Dow Jones Industrial Average down to an intraday low of 1,713.18, has been followed by a steady climb for several days, and on Wednesday the Dow soared to a new peak of 1,877.97, after its fifth-highest daily gain ever. The next day the index popped above the 1,950 level and all of the broader-based stock market indices hit new highs.

Michael Morof of Oppenheimer and Co., the New York brokerage firm, describes Wall Street as a "market where the psychology is still very positive. It is a relentlessly extraordinary vigorous bull market."

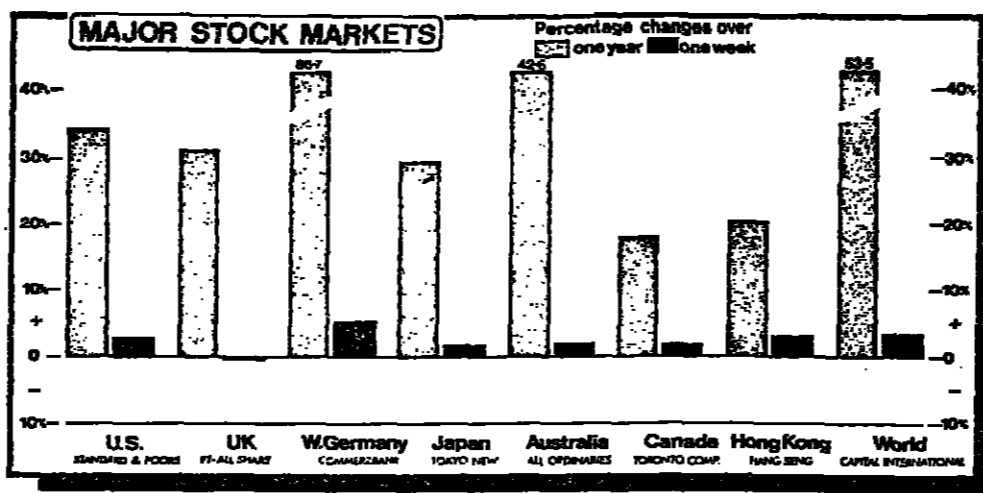
Wall Street

Soft drink sales around the world are soaring and the combination of falling petrol prices (64 cents a gallon for regular) and an expected surge in domestic holiday travel (partly because of the fear of travelling to Europe) are expected to benefit soft drink sales.

Shares of major US hoteliers such as Hilton (87 3/4), Holiday Inn (86 3/4) and Marriott (81 3/4) have also been hitting new highs as analysts increase their earnings forecasts.

Monday 1805.31 + 15.13
Tuesday 1809.65 + 4.34
Wednesday 1847.97 + 38.32
Thursday 1855.03 + 7.06

William Hall



Stuck down in the dumps

AS THE world's major stock markets go on testing new highs, one continues to stand out for its persistently poor performance: Singapore, together with its sister in neighbouring Malaysia.

The OCBC weighted index of 55 Singapore-quoted stocks, which is the best available guide to market performance, is at a six-year low.

Singapore

valued assets by second-rate companies; about the impact of systematic share price manipulation by anonymous but well-organised syndicates of speculators; above all and most immediately, about the chain of defaults by stockbroking firms which now seemed imminent.

The Straits Times index, already languishing under the 700 mark, immediately plunged 82 points to 608 when the market re-opened on December 5 and moved between 580 and 640 for the subsequent two months.

Apart from Pan-Electric, several related public companies have either stopped business or had their shares suspended.

Stronger rand hits the pits

ONCE AGAIN, the price of gold has shown how little it is affected these days by political events, cruising along calmly this week while the Libyan crisis has raged.

The rise in the value of the South African rand against the US dollar has resulted in a fall of some 10 per cent in the domestic gold prices received by the Republic's mines in the March quarter.

As our table shows, this has made quite an impact on earnings reported by the mines this week. In some cases they have fallen below those of the September quarter of 1985.

They have included a trend to mining lower grade ore which is economically justifiable when gold prices remain high.

Meanwhile, the near term outlook for the gold price remains something of an enigma. Some observers still believe that we shall see it move higher later this year while others are surprised that it has kept up as well as it has in view of the fall in oil prices and the accompanying lowering of inflation rates.

In their April review, brokers Smith New Court forecast a minimum average price for 1986 of \$357 per ounce, or R25,000 per kilogramme, compared with respective prices of \$317 and R22,100 for last year.

The two base metal producers in the Anglovaal group have suffered severe setbacks in earnings during the March quarter. Profits of the Prieska mine have withered to R1.7m (£560,000) from R11m in the previous three months as a result of lower metal prices and the suspension of zinc sales to a major customer.

Chris Sherwell Wong Sulong

GOLD MINE NET PROFITS

Table with columns for Mine Name, March quarter RBoDs, December quarter RBoDs, September quarter RBoDs, and June quarter RBoDs.

following a dispute which is being taken to arbitration. The other sufferer, Consolidated Marchioness, has earned more from its sales of antimony concentrates, but has lost ground on the gold side.

Freegold has produced nearly 27 tonnes of gold in the past three months from the milling of 5.29m tonnes of ore; total reserves are put at some 350m tonnes of ore containing around 2,500 tonnes of gold.

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Advertisement for Les Contes d'Hoffmann at the Royal Opera House. Includes conductor Charles Dutoit, cast list, and performance dates.

Advertisement for The Royal Bank of Scotland plc Base Rate. Announces a reduction from 11% to 10 1/2% per annum.

Large advertisement for Credit Suisse Buckmaster & Moore Ltd. Members of the Stock Exchange, incorporated 14th April 1986. Includes contact information and list of offices.

Advertisement for Nationwide Building Society. Placing of £20,000,000 9 1/2 per cent Bonds due 27th April 1987.

FINANCE & THE FAMILY

Option shopping

THE NEXT time you go out shopping, you might well find yourself drawn into a new area of investment - traded options.

Goodison want to change that view. They feel that the recent boom in turnover of traded options on the Stock Exchange has made the time ripe to seek a wider range of investors following the pattern already established in the US.

A boost for DIY

RECENT GOVERNMENT legislation, which ended the solicitors' virtual monopoly on conveyancing, has brought more competition into the market and encouraged house buyers and sellers to look at do-it-yourself conveyancing far more closely.

John Edwards

Healthy look of excess

YOUR COMPANY pension scheme is almost certainly in a strong financial position at present. To start with, stock markets all over the world have been particularly buoyant and asset values have been soaring.

ERIC SHORT takes a look at company pension schemes and the benefits employees can expect.

though Mr Lawson probably did not have this in mind. It must be emphasised though that the rights of employees to benefit directly from a pension scheme surplus depend very much on the scheme rules.

Debit charges drop

TSB England & Wales is cutting the charges imposed on personal customers who become overdrawn. Currently it charges as much as 35p for all debit transactions when a cheque account is overdrawn even once during a quarterly accounting period.

waived entirely for customers who remain in credit or maintain an average credit balance of over £400 during a quarterly accounting period.

ing period, since this can vary, and also protesting to your bank manager if you incur charges after being overdrawn for only a small amount for a short period.

CHARGES WHEN ACCOUNT BALANCE FALLS BELOW MINIMUM FOR FREE BANKING

Table with columns: Bank, Minimum credit balance for free banking, Charge for each cheque drawn, Charge for each credit, Charge for each cash machine transaction, Charge for each standing order, Charge for each direct debit, Fixed charges, Charging period, Notional interest, Net interest paid on current account, Waiver on charges.

- 1) Or an average balance of £500 or more during the charging period. (1a) £400 or more. 2) 20p each day the dispenser is used. 3) You cannot withdraw from a dispenser if you are overdrawn.

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It's also true, however, that some of the most spectacular gains have been made when the opportunity has been seized to get in at the ground floor - at the initial launch of a new fund with all the advantages "new money" can bring. Sometimes, these funds have no record to speak of.

The problem for the investor, then, is how to spot an interesting opportunity when it comes up.

We believe it is here now. A new Management Company - but with excellent credentials. A new range of Funds - but with parallels of proven success as comparisons.

And a new environment of encouragement for investment as exemplified by the Chancellor's Budget remarks.

The next few paragraphs will give you the background to this, the newest Investment Management Company. Judge the prospects for yourself.

### THE THORNTON & CO. GROUP

Richard Thornton has spent the last 25 years specialising in investment management. He was the co-founder of GT Management in 1969 and was their Chief Investment Officer with direct responsibility for £1.5 billion.

Thornton & Co. Limited was established by Richard Thornton in early 1984 and is a holding company having subsidiaries in the U.K., Hong Kong, San Francisco, Bermuda and Guernsey.

The specialist companies which make up the Thornton & Co. Group are today responsible for the management of funds in excess of £100 million throughout the world.

### FUNDS UNDER MANAGEMENT

We manage five mutual funds denominated in U.S. dollars, the majority of which invest in Far Eastern markets.

Regulations don't permit anything more than this statement of fact, but your Intermediary or Professional Advisor will be pleased to give you further information.

We also manage three U.K. quoted investment trusts.

### THE LAUNCH OF A NEW COMPANY - THORNTON UNIT MANAGERS LIMITED

An axiom of any successful business is to play to its strengths. Thornton Unit Managers Limited has been formed specifically to do just that.

The strengths of the Thornton Group team are investment expertise and a considerable prior experience and success in the field of unit trusts.

We will capitalise on our particular strength in the Pacific Basin area, where our office, on the spot in Hong Kong, benefits from additional input from San Francisco and the American viewpoint as well as from London.

However, in the choice of these six new unit trusts, we are also offering a U.K. and General Fund for those investors who wish to see part of their portfolio devoted to our own domestic market.

### THE INVESTMENT APPROACH

Communication and speed of reaction is our strong suit. With broad experience in international markets and operating from overseas offices as well as in London, we have immediate access to information on local companies and changes, however rapid, in economic and political conditions.

Because we can react quickly this allows us to safeguard investments.

Our objective is to achieve a high degree of capital growth in the long term for our investors, rather than the provision of a regular income.

Our philosophy is to achieve this through the prudent management of our clients' assets around the world, taking advantage of all the opportunities our skilled local resources identify and, by the same token, using those same skills to minimise the risk whenever possible.

### A CHOICE OF SIX FUNDS

The six unit trusts all have capital growth as their investment objective.

#### THORNTON U.K. AND GENERAL FUND

The FT All Share Index has continued to move ahead to new record levels during the first quarter of 1986. With manufacturing industry looking healthier than it has for a long time, general industrial restructuring opportunities are still significant. If interest rates move downwards as expected and sterling continues in its present range against other currencies there should be a very positive effect upon economic growth. The sharp fall in the price of oil is also a major advantage to manufacturing industry.

Advised by the London office.

#### THORNTON NORTH AMERICAN AND GENERAL FUND

The U.S. has the world's largest economy, with a Gross National Product of over \$3.5 trillion in 1985. The attraction of an economy as large and broad as this is the potential to find successful investment

opportunities amongst the many economic sectors. Our office in San Francisco enables us to anticipate trends and take advantage of movements in the market.

Advised by the San Francisco office.

#### THORNTON PACIFIC TECHNOLOGY FUND

The Pacific Basin from Japan to Silicon Valley in California has produced the major technological advances of the last decade. We believe that many technology stocks in this area are currently undervalued and have very good long term growth potential.

Advised by the London office on information provided by the Hong Kong and San Francisco offices.

#### THORNTON JAPAN AND GENERAL FUND

The growth in the Japanese economy over the last decade has proved remarkably resilient to adverse economic conditions such as interest rate and currency fluctuations. We believe this growth will continue, and coupled with the political and economic stability of the country, the opportunities for investment look very attractive particularly now following the sharp fall in the price of oil.

Advised by the Hong Kong office.

### GENERAL INFORMATION

Units are dealt in daily and the prices and the yields are published in the Financial Times. Applications will be acknowledged, certificates for lump-sum investments will be sent to unit holders normally within 42 days. Repurchased proceeds will normally be forwarded within seven days of receipt of renounced certificates by the Managers. An initial charge of 5% is included in the offer price of units (current maximum 6%). An annual charge of 1.25% plus VAT of the value of the Fund is deducted monthly from gross income (current maximum 2%). Remanent will be paid to authorised advisors by the Managers and rates are available on request. One income distribution will be made each year beginning in 1987 which will be automatically reinvested in the fund and additional units will be purchased at the price ruling on that date unless you instruct otherwise.

Thornton U.K. and General Fund	51.3	Annual charge of 1.25% plus VAT
Thornton North American and General Fund	51.3	1.25%
Thornton Pacific Technology Fund	31.5	1.25%
Thornton Japan and General Fund	31.5	1.25%
Thornton Tiger Fund	31.5	1.25%
Thornton Far East and General Fund	31.5	1.25%

The fixed offer price of units is 50p and this price is valid until 1st May 1986. After the current fixed price offer closes units will be valued each day and units may be bought at the offer price ruling on the day of receipt of the order.

The Managers are Thornton Unit Managers Limited, Park House, 16 Finsbury Circus, London EC2M 7DJ (Registered Office, registered in England and Wales No. 1963362). Thornton Unit Managers Limited is a member of the Unit Trust Association. The Trustee is Midland Bank Trust Company Limited.

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THORNTON JAPAN AND GENERAL FUND	
THORNTON TIGER FUND	
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Signature \_\_\_\_\_ Date \_\_\_\_\_

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FINANCIAL TIMES REPORT MUSEUMS & GALLERIES. To be printed on SATURDAY MAY 17 1986.

FINANCIAL TIMES Europe's Business Newspaper. London—Frankfurt—New York.

The Clocks and Watches Report due to be published to-day will now be published on Saturday 3rd May 1986.

Where the employee makes regular visits in between the initial and the final journeys, the cost of travel is not taxable if (1) it was necessary to perform duties of employment...

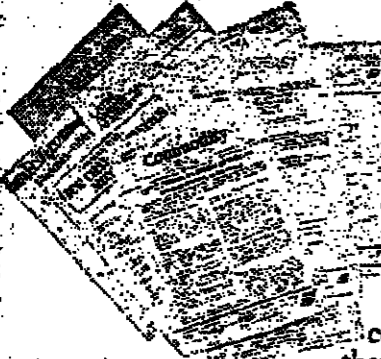
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*Advice to the unwary abroad in the City, or*

## THE ANT WHO WAS LEFT WITH SHOES ON HIS HANDS.

**T**HE ant rubbed his legs together in glee. The air was heavy with the scent of lavender and apple blossom, but all he could smell was the stench of filthy lucre. From beneath the cool canopy of an oriental poppy, he watched intently as a pack of voracious caterpillars munched a nearby cabbage. As he watched, he murmured quietly to himself. "Fifteen thousand eight hundred and ninety three . . . Fifteen thousand eight hundred and ninety four . . . Fifteen . . ." Later that same day, in his workshop beneath a great floppy begonia leaf, the ant hammered and sewed and snipped and clipped, whistling and chortling to himself all the while. At last, twenty thousand pairs of tiny high heels, brogues and Wellington boots came pouring from his miniature production line. He had invested his life savings in the scheme, but soon he was going to be rich. Shaking with excitement, he rolled back a corner of the damp, dewy leaf and peeped out. His jaw dropped.



All those lovely new customers were nowhere to be seen. Instead, a flock of large white butterflies was grazing on the cabbage patch. The ant scratched his antennae in disbelief as all the butterflies flitted nimbly away, taking with them his dreams of fame and fortune. He would even have to cancel his summer holiday in the Antilles. With heavy heart he pinned a little note to the nearby rhubarb stalk. "Sale. Shoes at half price, small sizes only." But if only he had paused for a moment's reflection



to take a long-term view of the situation. In the tangled undergrowth of the City, seemingly sound investment ideas can very rapidly lose their legs as well. With the resources and the experience of one of the largest investment management organisations in the country, Mercury can provide just the discerning judgment you need. For the details of our ten unit trusts, please write to: The Client Services Director, Mercury Fund Managers Ltd., 33 King William Street, London EC4R 9AS (01-280 2800) or contact your usual financial adviser.

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Russian Bonds

Waiting for the Tsar to return

IT WAS an offer that William Wright Sunderland, a prosperous Yorkshire factory-owner, just could not refuse. British railway company loan stocks were paying only 3 per cent interest in 1913 when his bank manager in Reigate tipped him off about the latest foreign opportunity.

Stavropol in the Ukraine and Toupaee, a port on the Black Sea. Even after the First World War broke out, it must have seemed a solid prospect — especially since the development of oilfields in Persia and the Caucasus Mountains was likely to boost the company's revenue. The loans also carried a guarantee from Tsar Nicholas II of redemption before 1994.

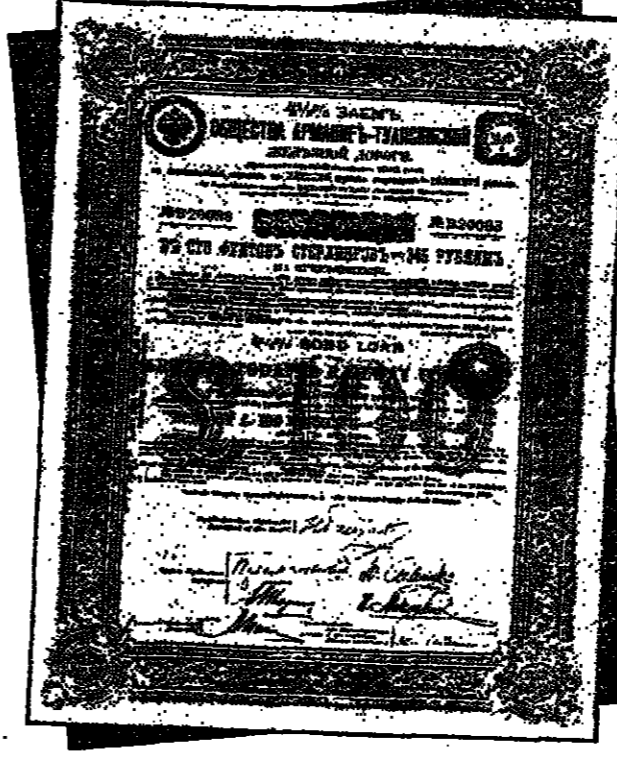
True, there is still a Council of Foreign Bondholders based in Bromley in Kent which campaigns on behalf of British creditors. Since the 1920s there have also been occasional negotiations between Britain and the Soviets over outstanding claims each government has against the other.

Imperial Russian assets believed to be still held in British banks — although their precise extent or whereabouts are unknown. The Soviets could also demand compensation for damages they suffered when Britain intervened on the side of the counter-revolutionary White armies during the civil war that followed the Bolshevik seizure of power.

Pitfalls to watch

MOTOR insurance represents a significant slice of the annual cost of keeping a car on the road. It is estimated that total premiums paid by motorists amount to well over £1,700m a year. The gross premiums for an average driver in central London with comprehensive cover could be anywhere between £350 and £600, and if you are considered a bad risk, you might find yourself paying over £1,000.

discount and have to start again from scratch. Thus, you should think carefully before making a claim, particularly a small one. If you are a policyholder with a gross premium of £500 and a no-claims discount of 40 per cent, you will be paying a basic premium of £300 a year. But if your car receives slight damage to a wing which costs £80 to repair, you would be ill-advised to claim, because at renewal you would end up with no discount whatsoever and would have to pay the full £500 gross premium.



lecting boom in Britain pushed busted bond prices to £1,000 each in some cases — until the bottom fell out of the market leaving some dealers and collectors with piles of unsaleable certificates.

Alternatively, investors can use the sale of a busted bond towards the end of the financial year to register a loss which reduces their capital gains tax liability.

Nick Bunker

New levy bites into bulldogs

Dina Thomson looks at the confusion since stamp duty was extended to fixed interest securities.

THE BULLDOG bond market has been thrown into confusion after the extension of stamp duty in the Budget to fixed interest securities, which were previously exempt. Registered bulldog bonds now have to pay the 0.5 per cent stamp duty levy, while the bearer type of bonds remain exempt, creating a two-tier market.

foreign governments or organisations in the UK domestic market — have the choice of buying bearer bonds in multiples of £1,000 or £10,000 or as registered stock transferable like UK gilts in much smaller multiples. Many bulldog bonds are available either in registered or bearer form. Until now trading has been concentrated in registered bonds, and switching to bearer form bonds to avoid paying stamp duty may result in extra charges.

investor of paying dividends gross, rather than net. They are also looked upon by stockbrokers as carrying the lowest risk among the bulldogs. World Bank triple A rated bonds, such as 11 1/2 per cent 2003, or World Bank 9 1/2 per cent 2010, are yielding 28 basis points and 20 basis points respectively over the benchmark gilt-edged stock, Treasury 13 1/2 per cent 2004-08.

private investors, however, is that they tend to require more active management than gilts. Bulldog bonds issued by Malaysia, for example, took a severe beating at the onset of the tin crisis. 'Bulldogs for the private investor do require careful monitoring,' says David Seaman of Lloyds Merchant Bank. He points to areas of low, high and medium risk which investors should appreciate.

Supra-national bulidogs

	2010	IADB	2015	2003
African Dev Bank	11 1/2%	2009	IADB	9 1/2%
Asian Dev Bank	10 1/2%	2002	World Bank	11 1/2%
EIB	10 1/2%	2004	World Bank	9 1/2%

Bulldogs with bearer option

	2015	Greece	10 1/2%	2010
Australia	11 1/2%	2015	INCO	15 1/2%
Credit National	13 1/2%	1993	Ireland	12 1/2%
Credit National	13 1/2%	1993	Ireland	12 1/2%
CNA	16%	2006	Malaysia	10 1/2%
CFF	14 1/2%	2007	Mexico	16 1/2%
CCCE	12 1/2%	2013	N Zealand	11 1/2%
Eaton Finance	12 1/2%	2014	Spain	11 1/2%
EDF	11 1/2%	2009-12	Sweden	9 1/2%
Finland	11 1/2%	2009	Trinidad	12 1/2%

for example, that you could be allowed to make up to two claims in a four-year period. This protection is normally offered only to those drivers who have already shown they are safe bet by earning the full discount available. Insurers may charge anywhere between 5 and 10 per cent extra for this privilege but it is definitely well worth considering.

Many drivers lose their no-claim discounts thanks to knock-for-knock agreements between the major companies. When there is an accident (and the parties involved have comprehensive insurance), the insurers agree that each will pay the cost of its own client's damages and will not bother about trying to prove liability.

Jeremy Sandelson

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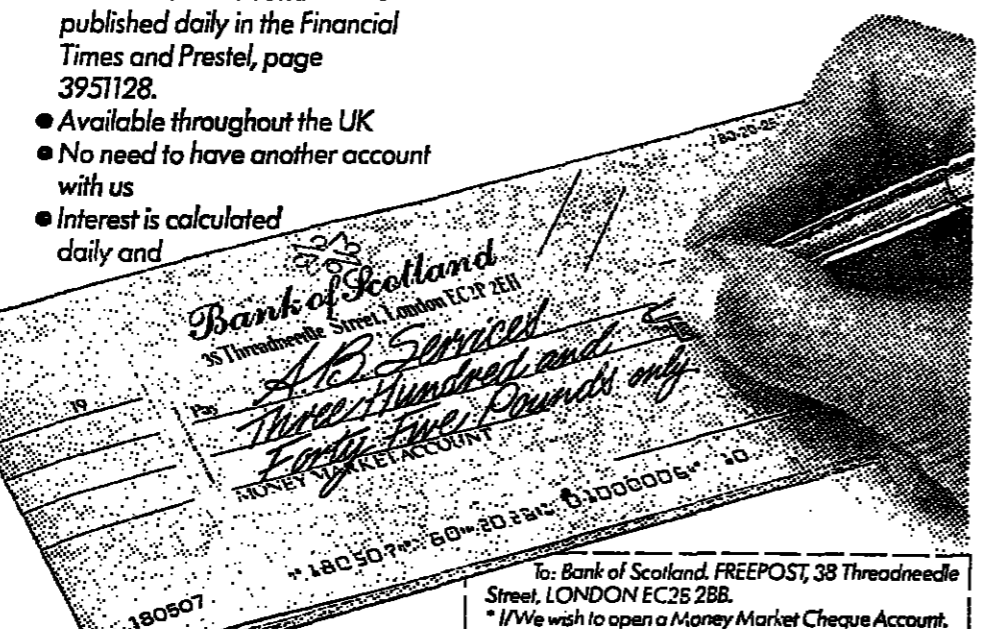
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Net Rate, Net Compounded Annual Rate taking account of monthly interest remaining invested, Gross Compounded Annual Rate to Basic Rate taxpayers.

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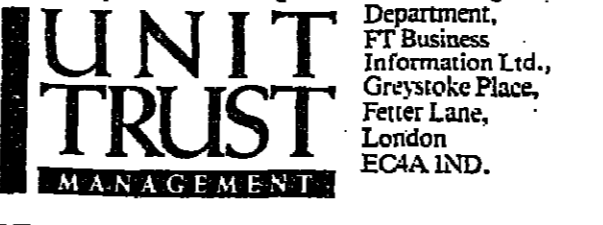
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As well as this statistical section, there are monthly feature articles delving deep into relevant topics, such as offshore funds, technology for the unit trust industry, roll ups, unit trust marketing, umbrella funds and investment prospects in different countries round the world.

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# A wife in the wings

My sister and I have recently learned that our mother is not married to our "stepfather" of 40 years. He has in fact never been divorced from his wife who is still living. We are unofficially informed that he has made a will leaving everything to our mother and the interest on £10,000 to his wife who we gather he has maintained all these years. The house, we understood, is in the joint name of him and our mother but we are not sure if this is joint tenancy or tenancy in common. Our concern is not only double death duties but can his wife have any claim to his estate even though he has lived with our mother as man and wife for 40 years? The legal wife cannot be prevented from making a claim, and since she has received maintenance for some 40 years such a claim is likely to succeed if the income left to her is not sufficient.



If my husband should predecease me, am I within my rights to ask the building society to change the account to my sole name without reference to the solicitor? Yes; the building society should register your sole ownership on production of the death certificate relating to the other joint owner.

## Transfers and trusts

Over a year ago I had my solicitor draw up a discretionary trust such for my wife and myself. We opened an associated building society accounts, each of £5,000, from which we have since made purchases of unit trusts on behalf of the discretionary trusts.

Will you be kind enough to advise me whether, to achieve the transfer, the share (or unit trust) certificates must be re-certified in some way to show they are, after transfer, the property of the discretionary trust and not of my life and/or myself. If not, will the Inland Revenue accept that they are part of the trust?

It will be necessary to review the position in the light of the Budget proposals and the details to be sent out in the Finance Bill. The value of discretionary trusts for tax saving is likely to be virtually eradicated and the position relating to benefits reserved will be tightened up.

## Untapped resources

In a reply you indicated that a water authority had a duty to lay on a constant water supply to the top storey of a property (presumably this includes the cold water tanks in the roof). During most summers (not so far this year), we suffer from excessive reduction of water pressure and occasional loss of supply to the upper storey taps. The water authority has of course checked for leaks but it has informally admitted that the

water main is inadequate due to improvements made over many years to existing houses and additional properties requiring supplies. What action could we take?

You should require the water authority to remedy the situation and point out that if necessary you may have to seek a mandatory order from the court requiring the authority to carry out its statutory duty.

## Company flats

I refer to "company to find a flat" (February 9).

I would certainly not advise a tenant, a company which has been set up specifically to rent a property. The reason for this is that a court of law will quite normally look to the intention behind a particular happening and if it was found that a company had been constituted just for the purpose of taking a "company tenancy," then it is very likely that the conclusion would be reached that the taking of the tenancy in the company was simply to circumvent the possible effects of the Rent Act legislation. If the conclusion was reached that the tenancy was therefore not a company tenancy, then the landlord would be in a situation where the tenant could (assuming the property was not normally the landlord's own home and/or "owner-occupied" notice had not been given) claim security of tenure, ie the right to remain in the property for virtually an indefinite period.

This is obviously a situation which a landlord would want to avoid.

The Rent and Housing Acts are very complex measures; professional advice should always be sought. We agree with your definition of the danger in letting property to a company which may be no more than a sham form for letting to an individual. We particularly agree with your observation about professional advice.

## A scrip and CGT

Under this heading you gave (on April 7) an interesting explanation about a rights issue for capital gains tax purposes, being deemed to be

No legal responsibility can be accepted by the Financial Times for the accuracy given in these columns. All inquiries will be answered by post as soon as possible.

acquired on the date of acquisition of the original shares.

Does the same principle apply please to a scrip issue? What is the date of acquisition of a part paid share?

In all these three cases, my desire, of course, is to establish the earliest permissible date for CGT including indexation.

1—Yes, a scrip issue is deemed to have been acquired on the date of acquisition of the original shares (for the purposes of both identification and indexation).

2—A partly-paid share is deemed to have been acquired on the day of the purchase contract, for identification purposes. The indexation rules are complex and arbitrary, however, and we suggest that you ask your tax inspector for a copy of the free explanatory pamphlet CGT12 (indexation). If this does not solve your problem, please come back to us, with specific facts and figures.

## Plumber's wisdom

Nearly a year ago I purchased my current house after paying for a house buyer's report and arranging a mortgage. I recently had cause to obtain the services of a plumber and, when he had a look at the central heating system, he noticed that the balanced flue to the boiler was obstructed by an extension to the house. He insisted, and being a reputable company I have no reason to doubt him, that this was completely illegal. The outcome is that I must replace the boiler with a flued type, it being impossible to move the existing one. I believe that I might have a claim against the surveyor who produced the report, for the cost of this work. The relevant paragraph in the report is "The balanced flue vent has been restricted slightly by the building of the utility. This does not, however, appear to have impaired the system."

Have I got a claim? If your plumber can be shown to be correct, you would have a claim against your surveyor. You should have the boiler inspected by an expert on boiler installation before it is replaced, so that you will have the necessary evidence on which to base your claim.

# Back to base

MANY British expatriates either retain homes in the UK throughout their period overseas or buy into the property market some years before retirement. Indeed, for some, the desire to make enough money for house purchase is the main reason for taking employment overseas where they are paid more and taxed less.

However, having a residence in Britain can have serious tax repercussions for anyone not in full-time overseas employment or business. The briefest of visits to the UK can make you resident for the tax year concerned, even though you do not actually live in the property.

That, in turn, could change the whole basis of your liability to UK tax. Overseas income and capital gains, previously immune, might become taxable. So might UK sources otherwise exempt, although some mitigation is available in the form of the usual personal allowances. Forewarned of the danger, the majority of affected families can organise their affairs to advantage. But not everyone can so readily avoid the costs of becoming tax residents of the UK.

Expatriates who retire from their full-time jobs, but stay abroad for a few years undertaking periodic assignments, fall into this category. So do retired people emigrating permanently from the UK but retaining a property there; and sole traders or partners whose main business is carried on overseas, but who have a branch or permanent establishment in Britain. For all of them, the precise meaning of "place of abode" maintained in the UK for his use" is vital.

In the first place, it is important to realise that ownership, or even the legal right to live in a property is immaterial—the question is whether any accommodation is in fact available for the visitor's use. A property owned in Britain will not be "available" if it is subject to an arm's length lease, since the owner cannot then live there himself. Conversely, a property which the visitor does not own, or even rent, might be deemed as being available.

For example, accommodation kept permanently available in your parents' house might count, as would a flat provided by an employer for a specific individual (but not for visiting employees generally).

However, there are some circumstances when property which would normally be regarded as available will, in fact, be ignored. Any accommodation rented to the visitor for use during a temporary stay in the

UK will be left out of account if the rental period is less than two years for furnished accommodation or one year unfurnished.

So also will property owned and let by the visitor which unexpectedly becomes available due to the premature departure of tenants or the failure to find new ones at the end of a lease.

Faced with the danger of becoming a UK resident, the immediate reaction of a non-working expatriate wanting to



acquire a home in the UK is likely to be, "Very well, then, I will form a company to own it, or buy it in the name of my son," or something of the sort.

This would produce a situation somewhat similar to that which arises where expatriates allow close relatives—typically parents or children—to live in their British properties; or, the opposite circumstance, where a relative transfers the title of his home to the expatriate on the understanding that the donor will live in it for the rest of his life.

The line to be drawn between a situation where the expatriate has a legal right or an informal understanding enabling him to live in the property (in which case it would be regarded as "available"), and one where he does so from time to time purely as the guest of the occupant (in which case it would not, can be very fine indeed.

In these circumstances, the visitor should be ready to answer such questions as: "Who pays the rates, electricity, gas and insurance?" Is accommodation set aside permanently for use by people other than the main occupant? Does the visiting individual keep any of his belongings there?"

Of vital importance, also, are the arrangements made for any visit: was the guest invited or did he just announce his arrival? And does he hold a key to the premises? Clearly, in these circumstances the key might turn out to belong to a Pandora's box of tax complications.

Donald Elkin

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Post Code: \_\_\_\_\_ Telephone No: \_\_\_\_\_

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A perch in the Canaries

NEITHER La Manga, south of Alicante, nor Lanzarote, the most northerly of the Spanish Canary Islands, could initially be regarded as scenic gems...

June Field looks at development plans on islands with a dramatic lunar landscape where arid scrubland has been turned into one of Europe's top leisure resorts

pretty complex of gleaming bungalows overlooking the harbour and the ferry to Fuerteventura...

There will be a funicular to take you to the top of the hill on which it will be built, and the exterior will be slightly reminiscent of the Generalife in Granada...

Among the pioneers in the area is Ladyland, a consortium of British and Catalan businessmen led by Raymond Patten...

SINCE the late Arthur Bowers's Overseas Property Guide in 1972, there has not been an overall publication in this field...

The 10 Commandments include: Safeguarding against disaster by dealing with an agent of a professional organisation...

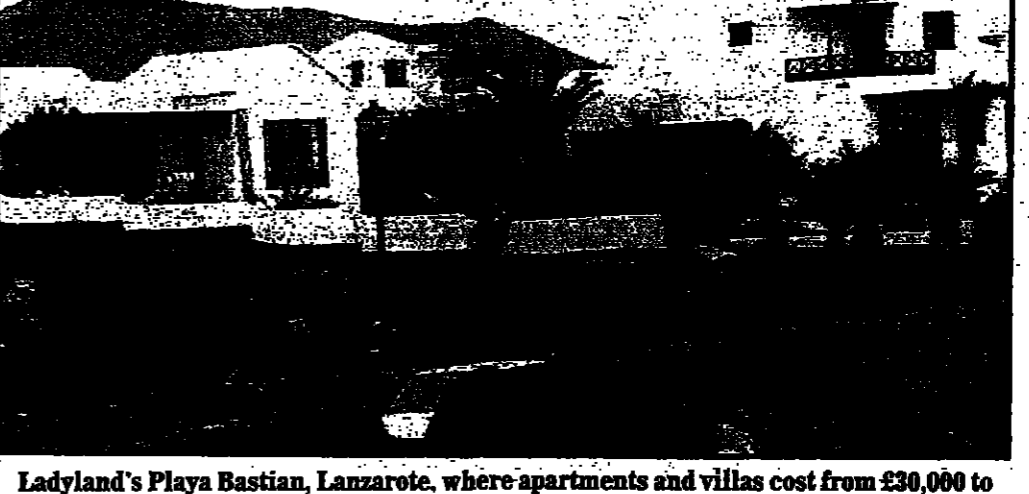
AFTER many years this is my last regular weekly property column, although I shall continue to contribute to the paper...



European Ferries' La Manga Club, near Cartagena, where two-bedroom, two-bathroom flats are from about £80,000.



Villas on Las Coronas, Costa Teguisse, Lanzarote, from about £80,000.



Ladyland's Playa Bastian, Lanzarote, where apartments and villas cost from £30,000 to about £54,000.

BEDFORD Country Property Agents
NEWMARKET (NR.) Fine country Cotswold house...

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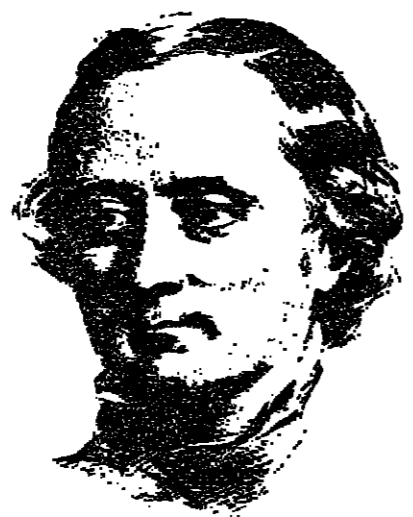
SPAIN, CANARY ISLANDS, PORTUGAL, MADEIRA, CYPRUS, ITALY, GIBRALTAR & FLORIDA





Old Manuscripts

Curzon's quest for lost words



Robert Curzon: an engraving (1858)

IT WAS from St Katherine's Monastery on Mount Sinai that Tischendorf obtained the Codex Sinaiticus, one of the earliest manuscripts of the Bible. That is now in the British Museum, having been sold by the Soviet Government after the Revolution. Other manuscripts from the monastery are to be found in libraries all over Europe.

Collecting

From crinolines to corsets

COSTUME historian Doris Langley-Moore started collecting fashion plates on her honeymoon over 80 years ago. "No-body wanted them at any price, and as wallpaper were so dull then, I thought they would make good pictures for the wall."



ABOVE: Mid-19th century fashion plate in Mrs Doris Langley Moore's collection being sold at Christie's South Kensington on Tuesday. LEFT: Chanel fashion plate of 1916, also in Mrs Moore's collection.

She regrets that she could not find more of the work of Nicolas van Heidehoff. There are four of his plates in the Gallery of Fashion, volume VI, 1799, estimated to make £200 to £300.

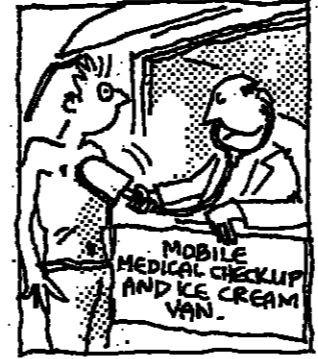
Fashion plates are still undervalued, and many of the lots made up of a dozen or more plates are expected to go for under £50.



June Field

LAMENTABLY few British companies give much thought to in-house preventive medicine. Traditionally most directors and chairmen are whisked off to central London for an annual medical once over while many blue collar workers are left to make their own health monitoring arrangements.

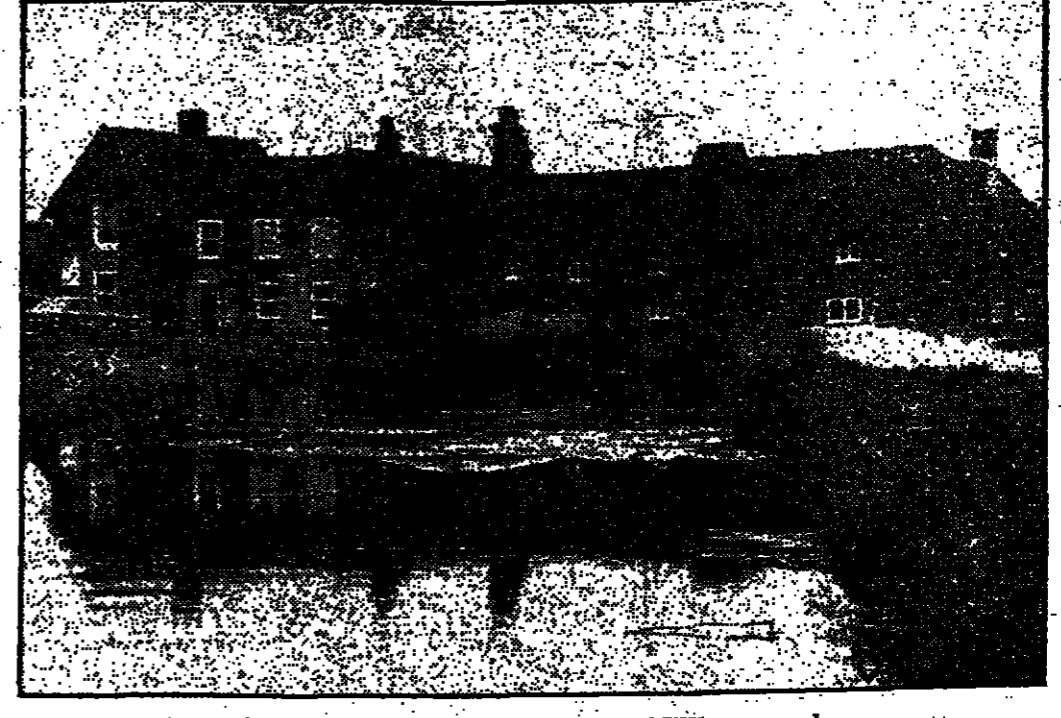
Now, though, a simple and relatively cheap preventative medicine system is on offer in the form of a mobile screening service designed to scrutinise the health of every member of a firm, on site, every year.



Those being screened arrive at the clinic with a urine sample—and a stool sample too in the case of men—and a completed questionnaire about their own medical history, their family medical history and their personal eating, drinking, exercise and social habits.

Civil War Memories

A touch of Beirut down the M3



Peaceful Basing today... the Millhouse pub

IN SUNSHINE Basing's old cottage walls glow blood red. Their bricks were quarried from the ruins of Basing House, dismantled after its storming at dawn on 14th October, 1645.

These events took place only 50 miles from St Pauls, and not ten minutes from Junction 6 on the M3. Nowhere else in England can you reach so close to the Civil War and the passions of its participants.

Here, as G. M. Trevelyan put it, were the mullions and gables from which the sentinels looked forth; the garden walks across which the iron shot roared.

hero of the siege. His life was saved by his former prisoner, Colonel Hammond, later King Charles's gaoler at Carisbrooke. Major Robinson, a former Drury Lane comedian, was less lucky. He surrendered to the fanatic Major Thomas Harrison who shot him down, exclaiming: "Cursed is he who doeth the Lord's work negligently."

Problems with which British industry has been familiar—ineffective command structure, uncommitted leadership and shortage of skilled manpower—had to be overcome. Superior foreign siege equipment had to be imported, and French and German engineers hired to work it.

they were butchered among these sun-lit pillars. Above the font hangs the Royal Arms, naively painted on a board, to celebrate the 1680 Restoration and the end of civil strife. The lion and unicorn prance on a chequered blue and white floor.

Gardening

Keeping the best



WE ARE all conservationists today but I often wonder whether we always know what we are conserving and why.

The question arises in a particularly acute form when it concerns the conservation of garden plants. With such species there is a difficulty since no-one would wish any species of plant or animal to become extinct.

No such blanket cover can be sustained for garden varieties. In this world every seedling is a new variety since it will differ, if only minutely, from other seedlings.

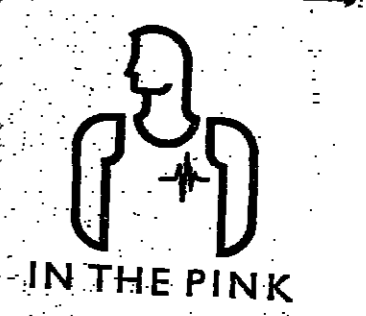
conservation of Plants and Gardens (NCCPG). Surely the NCCPG should be in the business of finding out which garden varieties are so good that they must be conserved and that lists such as the 1,300 in the new AGM recommendations and those in lists produced by the Horticultural Trades Association and the Joint Council for Landscape Industries are helpful, not a hindrance.

inforced. If it has none of these qualities I would let the normal processes of profit and fashion determine its survival. I would never wish to conserve a plant simply because it was old or scarce.

inforced. If it has none of these qualities I would let the normal processes of profit and fashion determine its survival. I would never wish to conserve a plant simply because it was old or scarce.

The most difficult thing about gardens is that they are usually in constant change. Plants grow out of scale or become old and die. Owners come and go and make changes to suit their own taste and income. Records get lost or never existed and it becomes impossible to determine the original character of the garden.

Health in our own hands



IN THE PINK

superlative treatment but our primary care or preventative medicine is pretty appalling. In an attempt to redress the balance he hooks the mobile clinic to his car and tows it from company to company.

helped identify two cases of cancer of the prostate, one invasive cervical cancer and six invasive smear tests showing cervical cancer at an early, curable stage.

conventional screening services but you have to go to their premises, which can take up to a day, said Panasonic personnel officer Karen Blunidge.

Although Dr Gatenby Davies is planning two new mobile clinics, he sees the future in terms of slow expansion. He aims to build up the records of his regularly to create a solid base for his ultimate aim of easily accessible preventative medicine for all. And Eupa intend to introduce mobile screening as part of its new occupational health services.

2 MAJOR PUBLIC AUCTIONS OF THE UTMOST IMPORTANCE AND URGENCY. We regretfully announce that due to prohibitive and unobtainable insurance rates currently affecting shipments in and around the Gulf, valued in excess of £10,000,000 AN ISLAMIC COLLECTION OF PERSIAN CARPETS.







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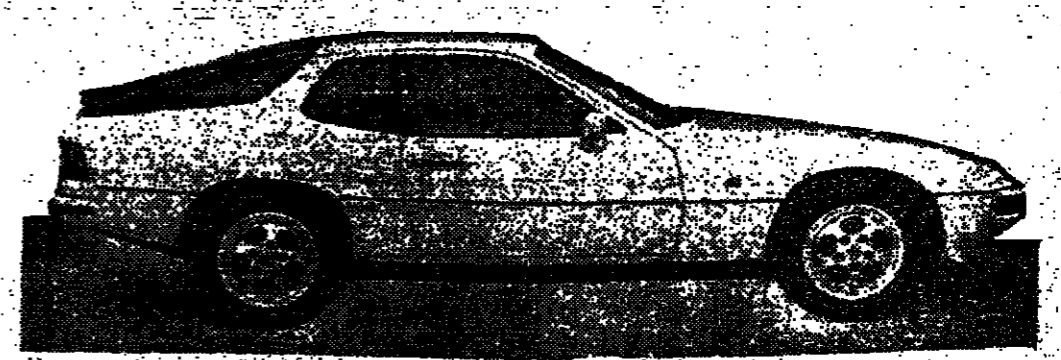


Part of the EXPO '88 development on Vancouver's waterfront

Versatile Vancouver

WHEN young George Vancouver, late of King's Lynn, happened upon a wooded tongue of land... Part of the EXPO '88 development on Vancouver's waterfront... Versatile Vancouver... The EXPO site wanders along two miles of waterfront on land which had been a derelict jumble of warehouses, rusting metal and railway tracks...

buildings. Somewhere inside that forest there'll be walkers, joggers, cyclists, golfers, cricketers and tennis players. Less than half an hour along the coast, driving towards Horseshoe Bay, you can imagine yourself in Snowdonia or the Scottish Highlands... Steve Turner



The Porsche 924S... for the young and upwardly mobile

The magic of Porsche

THE DELIGHTS of Porsche motoring never did come cheaply. Today, the least expensive 924S, which is the supercar equivalent of a starter home for young marrieds, costs £15,496 in the showroom... Stuart Marshall on the merits of a marque that turns four wheels into a new life style.

BRIDGE

MY FIRST hand comes from rubber bridge of expert standard:

Bridge hand diagram showing cards in North, South, West, and East hands. North: ♠ QJ, ♥ AK64, ♦ K 75, ♣ 1098. South: ♠ 10853, ♥ K 97, ♦ A9743, ♣ 72. West: ♠ K, ♥ J1098, ♦ QJ964, ♣ J85. East: ♠ 10853, ♥ K 97, ♦ A9743, ♣ 72.

At game-all, North dealt and bid one no trump. South said three spades and North rebid three no trumps... E. P. C. Cotter

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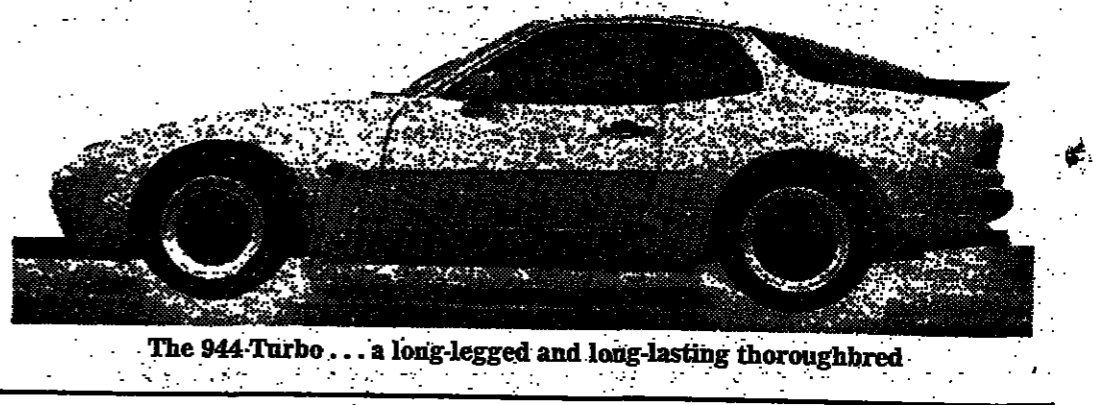
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Volvo advertisement for the new Volvo car, featuring the text 'ORDER YOUR NEW VOLVO NOW' and 'JERRY HUTTON OR LEO FREAGARD'.

Chess

EX-WORLD champion Anatoly Karpov returned to peak form last week with an impressive victory at the Brussels international tournament sponsored by the Swift banking service. Karpov won his last six games in succession, and outdistanced his old rival Korchnoi by two points with several other title contenders left well behind. Scores were: Karpov 9 out of 11, Korchnoi 7, Miles, Timman and Torre 6, Ljubojevic 5, Zepkina 5, van der Wiel 4, Winitz 3, Jodou 3, Karpov defeated Miles (England); Timman (Holland) and Seirawan (US) in individual games to emphasise his superiority over prominent rivals from the West.



The 944 Turbo... a long-legged and long-lasting thoroughbred

Chess board diagram showing a game in progress. White to move. The board shows pieces in various positions, including a king on e1, a queen on d1, and a rook on a1 for white, and a king on e8, a queen on d8, and a rook on a8 for black.

JAMAICA The temperature in Surrey today is 82° F. Port Antonio is in Surrey, Jamaica. And right now it's warmer than Surrey, England. For the Jamaica Information Pack, write to Jamaica Tourism Board, 50 St James's Street, London SW1A 1JT. (01-499 1707).

# FINANCIAL TIMES SURVEY

Saturday April 19 1986

The legacy of surplus space left by a building spree has not cut the flood of foreign investors nor the confidence in recovery

## The aftermath of excess

By Michael Cassell, Property Correspondent

DESPITE being overwhelmed with unwanted floorspace, knocked sideways by collapsing rents and repeatedly hit by spectacular bankruptcies and foreclosures, the North American real estate markets remain in characteristically optimistic mood.

The familiar rejoinder "no problem" still easily slips off the tongue of every irrepressibly enthusiastic real estate broker as they make light of the difficulties now confronting an industry which has gone over the top.

Developers and their financial backers have indulged themselves in a building spree which paid scant attention to consumer demand and which, instead, preferred to concentrate on the task of sinking available funds into real estate investment. The price has, in some cases, been a high one and the aftermath of the real estate sector's excesses will take several years to clean up.

Yet, despite widespread acknowledgement of the problems facing most of the nation's major real estate centres, there is an underlying confidence in the ability of the property sector to get back on its feet.

That confidence is clearly shared by the growing number of foreign investors who now show every sign of stepping up their commitment to owning property in what remains one of the world's strongest and most stable economies.

Widespread overbuilding during the past couple of years has made sure that the real estate sector's immediate prospects look unimpressive. The rush of development activity which led to the longest commercial construc-

tion cycle in memory has left in its wake an estimated 170m sq ft of office floorspace under construction and an enormous volume of unwanted accommodation looking for occupants. The national average vacancy rate in downtown office centres stands at around 18 per cent, with some major cities sagging under vacancy levels of 25 per cent or more. In suburban markets, the average level of empty space is above 20 per cent.

Energy-related, local economies have invariably fared worst of all, with some of the sun belt centres—once at the heart of real estate development activity—facing a long, trying period of recuperation. The irony is that, in many commercial centres, demand for accommodation has remained strong, with occupiers showing a healthy appetite for new accommodation. Almost without exception, however, demand has been swamped by supply.

The message has now finally worked through and, with new office projects only getting under way if significant pre-letting is assured, the emphasis is on trying to offload the floorspace which has been created.

Tenants have the clear upper hand, with prime rents in major cities down by 20 per cent or more from previous peaks and with concessions stretching to long, rent-free periods and open-ended contributions towards fitting out costs.

In an attempt to entice would-be occupants, a growing number of property owners are being forced to offer equity-sharing deals, which provide the tenant with the chance to

# North American Real Estate



An oval office tower called 53rd at Third is being developed in the heart of Manhattan, which still leads the country in leasing activity. UK agent Debenham Tewson & Chinnocks has just taken space for Linklaters and Palmes in the 580,000 sq ft tower

text occupation costs and to attract ownership-related benefits like depreciation and rising capital values. High on the list of casualties of the current real estate shake-out has been the savings and loans industry, which collectively made an extravagant and invariably ill-advised foray into acquisition, development and construction. Last week, a \$1bn, Texas-based savings bank failed because of heavy losses on its real estate lending. Mainland Savings was one of the largest financial institutions ever allowed to fail in the US. Plenty of others have confronted enormous difficulties

arising out of their exposure to real estate and estimates suggest that as many as 800 of the 3,000 savings and loans associations are in a terminally ill condition. Their misguided venture into property leaves them facing the same sort of crisis which confronted the real estate investment trusts (REITs) during the mid-1970s.

Luckily, the thrift industry's earnings are at near-record levels, helping to cushion the impact of what could be an even more serious crisis. In the same way, many developers have been let off the hook by the sharp fall in interest rates.

The REITs themselves are now enjoying something of a revival, with many of the new vehicles sponsored by top-rank real estate players like Prudential Corporation, Trammel Crow and Lincoln Properties.

The thrift industry's problems are, however, providing fertile ground for real estate bargain-hunters and a new breed of "vulture" funds, which prey on distressed property owners, picking up sound real estate investment at deep discounts, is now flourishing.

Many of the tax-oriented syndicators, too, who for a while were the predominant force in the investment field, have been hammered by recent events, their high-risk approach to real estate spending exposed by present market weaknesses. Some of them have been forced to roll up separate funds into single, publicly-traded partnerships which offer a way out for investors.

Perhaps the most constant players in the real estate sector are the major pension funds, whose investment in property—currently estimated at over \$50bn—has grown dramatically over the past 15 years. Leaders

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like the Prudential are understandably cautious about new commitments in the current climate but remain totally confident about longer-term prospects and are poised to take advantage of buying opportunities. The proportion of pension fund assets going into real estate are likely to remain fairly constant but growth in assets means spending in cash terms will grow.

From whichever direction real estate investment funds now come, there is no question that money is widely available for purchase and refinancing and that finance, along with numerous property assets, is cheap. The fat outlook for office markets, which some observers expect will be exacerbated by the long-term decline in the working age population, has been paralleled by rising investment demand for regional shopping centres, with fund managers combing the country for attractive investments. Top prices are being paid and buyers are increasingly prepared to modernise existing centres which are showing signs of age.

There is also a renewed interest in industrial real estate, particularly among foreign investors looking for a foothold on the east coast. Rents have been rising, although generally they remain too low to justify

new construction, but interest in established industrial investments is growing.

Increasingly, the real estate industry appears to be moving onto a healthier basis, with investment structures based on economic fundamentals, rather than any tax-shelter considerations. Yield analysis rather than tax-saving computations are the order of the day and equity, rather than debt participation, is the name of the new game.

### Tax reform

The new approach is at least partially due to the changing tax climate surrounding real estate. Federal tax reform proposals now being debated by the Senate finance committee could see a significant rolling back of real estate-associated tax benefits, including the stretching out of depreciation periods and tough new restrictions on the use of tax-exempt bonds. General changes in the tax code could include a reduction in corporation tax, a parallel increase in capital gains tax rates and the removal of investment tax credits.

There are few who doubt that an industry which somehow managed to survive 22 per cent interest rates can cope with

the kinds of tax reform now being considered. There is certainly no lack of enthusiasm when it comes to devising new investment vehicles for the real estate market and securitisation is becoming increasingly fashionable.

Although the market for mortgage-backed securities has grown increasingly competitive and was shaken last year by some well-publicised cases of mismanagement and fraud, the formula which was used to liquidate many savings and loans' portfolios is now being slowly adopted in the commercial sector.

The principal problem with promoting securitisation—the bundling together of real estate interests into quantifiable, tradeable instruments available to the public—lies in rating the security being offered to the public, so that it can be compared with alternative investment vehicles. Standard and Poor's have just devised a credit enhancement system, however, which should help promote the securitisation concept.

Initiatives like this provide a measure of the increasing sophistication of a market which in the space of a few years has moved from a relatively simple and private business, dominated by a handful of immensely wealthy entrepreneurs, to become a major and increasingly complex investment medium demanding the same type of analysis applied to any other leading investment market.

But despite the increasing institutionalisation of the industry, there are plenty of dollar millionaires still playing the real estate game. They may be a little thinner on the ground after the last big shake-out but many more are lining up to join the club.

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# North American Real Estate 4

## Space surplus will take time to digest

### Los Angeles

The Japanese presence in Los Angeles is not merely signalled by the countless numbers of Sushi bars lining Sunset Strip. While Angelenos have taken in their droves to raw fish, so the Japanese have developed an expensive taste in US real estate.

Mr Jack Rodman, a partner with Kenneth Leventhal the Los Angeles-based accountancy practice which specialises in real estate, says the Japanese are powerful players in the west coast investment market. Los Angeles remains the principal gateway for their American activities.

Names like Taisei Corporation, Mitsui Fudosan and Kumagai Gumi are already well established as real estate owners in a city which is playing an increasingly important role as the financial centre of the Pacific Rim markets.

The Japanese are here to stay and represent a growing source of competition in the development and investment markets. They are buying contracting work to establish a foothold and are prepared to play a very patient investment game. They are also happy to accept much lower rates of return than most competitors.

Mr Rodman says:

Patience may indeed be a virtue, given the present state of the Los Angeles office market. As in numerous US office centres, the market is suffering not so much from

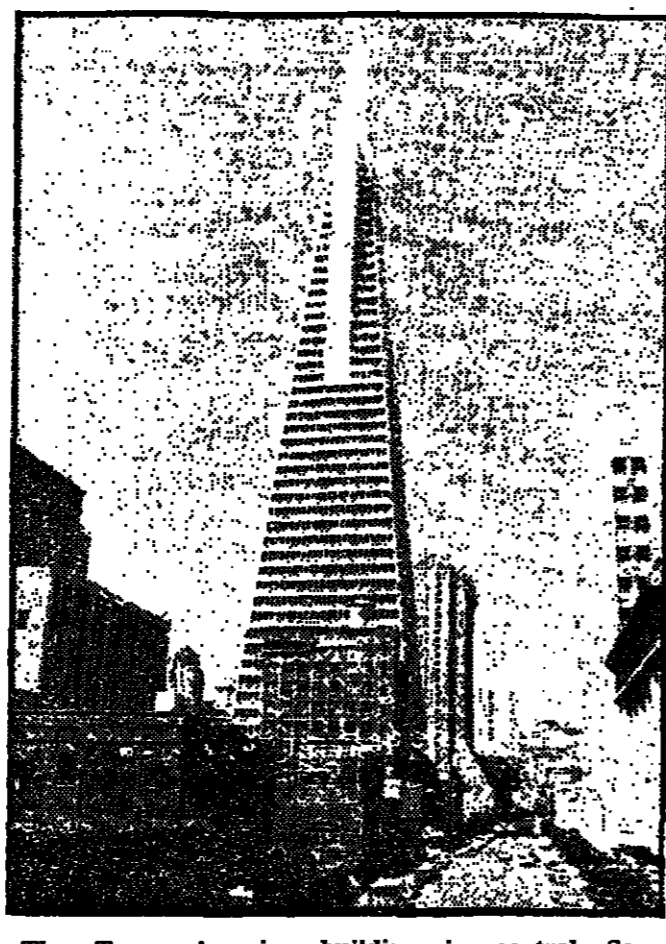
weak demand but from a strength-sapping oversupply of space.

The primary office markets, embracing downtown and the main west-side locations like mid-Wilshire/Miracle Mile and Beverly Hills have been hit by a surplus of space which is going to take some time to digest.

In a Los Angeles County office market which, according to agents Richard Ellis, embraces about 86m sq ft of lettable floorspace, overall vacancy levels are running above 18 per cent. Rents are subject to substantial reductions and tenant concessions are generous and plentiful.

The downtown market tells the story. Last year, net absorption reached an estimated \$90,000 sq ft, well up on the average take-up rate over the latest five-year period. But demand has nevertheless been swamped by the flood of prime floorspace available to let. The end result is that prime downtown rents have, in about two years, fallen from more than \$30 a sq ft to the low \$20s. Rent-free periods extend to one year on 10-year leases and contributions towards fitting-out costs seem almost open-ended.

Accommodation on offer includes up to 440,000 sq ft in Arco Tower, the 2.2m sq ft office complex (up for sale by joint owners Atlantic Richfield and Bank of America), 300,000 sq ft in the Security Pacific Tower, 278,000 sq ft in the impressive \$90,000 sq ft Citicorp Plaza and, almost 770,000 sq ft in California Plaza. The last two projects could ultimately extend to 2m sq ft each.



The Trans America building in central San Francisco, where tough new regulations on developments have been brought in

There is also no shortage of downtown and suburban secondary accommodation.

The legacy of the last office building boom means that new construction is almost at a standstill with projects only likely to get off the ground if significantly pre-let. The Japanese have even postponed the start of a big downtown project, in spite of having pre-let a substantial amount of space.

Lincoln Properties, one of the largest development groups, has just walked away from a downtown office development option after spending up to \$5m on preliminaries. It failed to line up tenants or to make the figures attractive enough for institutional funding.

Mr Bruce Merchant, president of Hammerson Group's California operations, accepts that the local market is proving difficult and that it will stay that way for some time. Hammerson itself has about 330,000 sq ft of office floorspace available in its first two downtown developments. The company's timing has been unfortunate, with the drop in market rents knocking a hole in income projections and making leasing agreements hard to find.

But Mr Merchant has no doubts about the eventual success of the two properties or of the longer-term health of the local market. "Prospects for Los Angeles as a leading

## Development becomes a privilege

### San Francisco

"SAN FRANCISCO has firmly established the principle that in this city, real estate development is not a right but a privilege." Mr Tim Mason, of Jones Lang Wootton, sums up what most of the local development industry is thinking about the impact of San Francisco's new downtown development plan, adopted last October.

The plan restricts heights, limits plot ratios, places an annual ceiling on the creation of new floorspace, imposes new conservation areas and a straight development tax on new projects and represents a triumph for conservationists.

San Francisco, long one of the more difficult centres for the developer given the widespread desire to protect the city's unique charm and historic heritage, has now virtually become a "no-go" area.

Mr Mason says that since the plan took effect, no new projects of any significance have been given the go-ahead. Developers have to prove themselves "socially acceptable" and are scrutinised by a three-man panel of planners and architects who appear to decide a

project's fate as they would like up of space during 1985, despite quite a lot of leasing.

Demand for good office accommodation has been hit by the continuing reappraisal of space requirements among the big financial organisations based in San Francisco, which companies put off by rising costs and problems associated with transportation, have moved to locations like Oakland, Walnut Creek and Concord.

Reorganisations within the banking and financial community has cut space needs and San Francisco, long thought of as a headquarters city, is no longer seen in the same light.

Mr Ron Blattman, of Derinzer Development, says: "In this city, it is becoming a big victory if someone does not leave."

Mr Mason says the oil companies and banks have not been the force they once were and Los Angeles has been proving more popular as a west coast base.

In spite of the problems however, few locals seem to doubt the longer-term prospects for the downtown market. San Francisco still ranks among the top five US cities earmarked by potential real estate investors, while the restrictions on new development—an annual average of 950,000 sq ft will be per-

Michael Cassell

## Big operators move in on locals

### Washington

IN THE late 1970s the commercial real estate community in Washington DC, which in spite of its role as the seat of the federal government had been derided as parochial, woke up to the fact that the commercial vacancy rate in the most desired first class office space near the White House stood at less than 1 per cent.

A market scramble, timed catastrophically to coincide with soaring interest rates, deep recession, business retrenchment and a flat leasing market, introduced the 1980s. Pressure on the price of well-located land, intensified by zoning to prevent any building challenging the Capital dome, had stimulated a secondary wave of commercial construction in the cheaper areas of downtown, the suburbs and in outlying communities.

That tumult of scramble, slump and recovery in the first half of the 1980s occurred against a backdrop of other changes.

Changes unique to Washington include:

- Development and transport policy in north Virginia designed to stimulate growth and

boost tax revenues.

- Expansion of the metro system.
- Incentives to revive the original downtown district, and activities of the Pennsylvania Avenue Development Corporation (PADC).
- The arrival in force of big national, institutional and international developers.

Greater Metropolitan Washington, with its population of about 4m is showing a pattern of growth at the stage London or Paris might have been five or six decades ago. A dense urban core is surrounded by farmland and linked by road and rail to outlying communities.

Fastest growth is west of Washington in that part of Virginia best supplied with good communications. Tysons Corner, frequently cited as being one of the fastest growing US areas of commercial development, is a high-rise cluster of office buildings at the junction between roads to the west and south with the Capital Beltway.

Dulles Airport is nearby and the need for good infrastructure is recognised by the planning authorities, who are bringing in development to revive tax revenues. West of Tysons Corner the little city of Vienna faces radical change when the effects are felt of the opening of the Orange Line metro this year.

Effects of the metro development are visible downtown in the District of Columbia. When the first branch of the system opened 10 years ago, the commercially developed zone of Washington east of 16th Street NW, which runs due north from the White House, was a dismal reminder of a once-thriving commercial district in decline.

Under the pressure of high land prices further west and with the recognition that first-class tenants could be persuaded to move east if high-quality office space could be provided at lower cost, commercial buildings have risen at an accelerating rate.

Hecht's department store placed sufficient faith in the development potential of the metro that it opened what is claimed as the first free-standing, new downtown department store in an American city for 40 years.

Along with local government efforts to revive old downtown, the Pennsylvania Avenue Development Corporation has overseen the transformation of the corridor between the White House and the Capitol. Higher floor ratios were made available to developers by PADC and only three or four sites remain to be developed.

Until the late 1970s, development in Washington was monopolised by a few local developers but the healthy market has brought in the big names, such as Cabot Cabot Forbes, Mortimer Zuckerman and Gerald Hines.

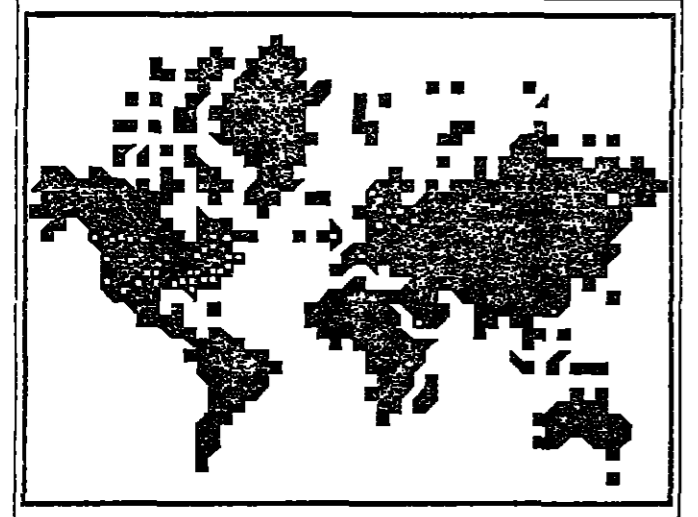
International companies and institutions such as Prudential, Manulife, Cadillac Fairview and Daon also arrived. Daon's property at 1300 New York Avenue stood unleased for long but the market from a period, with the building symbol of an overbuilt east side.

In 1985 the Inter-American Development Bank agreed to lease the entire 765,000 sq ft, the signal for a revival.

Foreign investment has been flooding into the market in spite of the over-valued dollar. The Dutch and British pension funds have been particularly active, presumably because investment opportunities were lacking in the domestic markets to such a degree that exchange rate losses were being measured against predictions of higher dollar returns.

The strong dollar protected the local developers for a time. Now low US interest rates protect them from the threat of being squeezed out of construction projects.

Michael Tingay  
(Michael Tingay is a consultant to a Washington group of foreign investors.)



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## Confidence in low-growth city

### Chicago

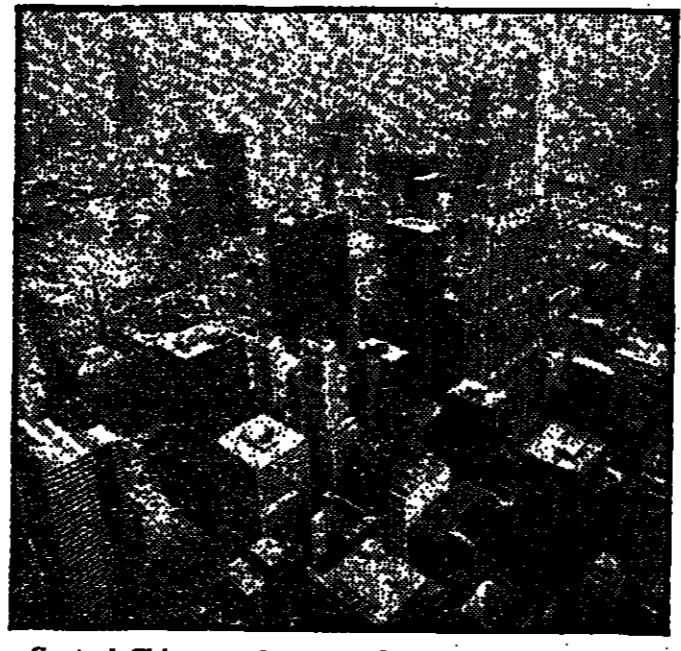
CHICAGO'S real estate developers are showing enormous confidence in a city where the growth has lagged behind the national average for most of the past three decades.

In spite of office vacancy rates of around 11 per cent in the Loop and other central areas and up to a quarter in the suburbs, the supply of new space shows little sign of slackening. Nearly 8m sq ft, spread over more than 15 buildings, is under construction in the central business district.

Developments under way in the four main suburban areas, providing an additional 5m sq ft, will ensure a four- to six-year inventory, based on recent absorption rates.

With the exception of large industrial projects, other sectors of the Chicago property market are showing signs of optimism. Demand for office space, though lagging supply, is strong. A record 2.2m sq ft was leased in the downtown area in the final quarter of 1985. While Chicago may have lost manufacturing industry to the Sunbelt, its fast-expanding role as a financial and service centre is drawing office-intensive companies such as banks, advertising agencies, media and telecommunications groups to the hub of the Midwest.

Manufacturers Hanover, Coopers & Lybrand, Ogilvy & Mather and MCI Telecommunications are among the 20-odd



Central Chicago, where supply of new space shows little sign of slackening

tenants which signed leases covering 100,000 sq ft or more last year. Several of the largest new projects are anchored by service companies. Leo Burnett advertising agency is expected to take 400,000 sq ft in—and give its name to—a new tower on the corner of State Street and Wacker Drive developed by John Buck.

A law firm will anchor Metropolitan Structures' 40-story tower at 10 South Wacker Drive, due for completion in 1987. The developers hope to lease a further substantial amount of floor space to the Chicago Mercantile Exchange, which has a trading floor adjacent to the new building, and which already owns 10 per cent of the neighbouring tower block at 30 Wacker Drive.

One Financial Place, on the fringe of the South Loop, is evidence that developers' confidence may not be misplaced. Open for little more than a year, it is already 85 per cent full. Many tenants have links to the Midwest Stock Exchange and Chicago Bond Options Exchange, where trading floors are connected to the tower block.

Other big new office developments include:

- A three-building project with 4.2m sq ft of space just south of the Sears Tower planned by Lincoln Property of Dallas and a local teachers' pension fund. The first phase will be a 63-story tower with 1.4m sq ft of office space.
- Two Chicago railway stations

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